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THE BOARD'S ROLE IN THE STRATEGIC MANAGEMENT OF
NONPROFIT ORGANIZATIONS: A SURVEY OF EASTERN U.S.
AND CANADIAN YMCA ORGANIZATIONS

A Dissertation Presented

By

JULIE I. SICILIANO

Submitted to the Graduate School of the
University of Massachusetts in partial fulfillment
of the requirements for the degree of

DOCTOR OF PHILOSOPHY

May 1990

Department of Management

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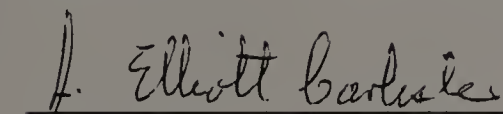
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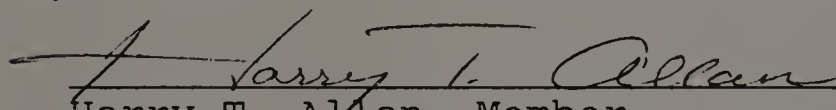
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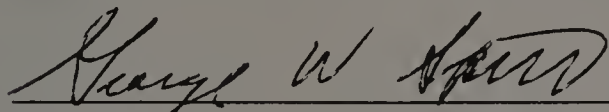
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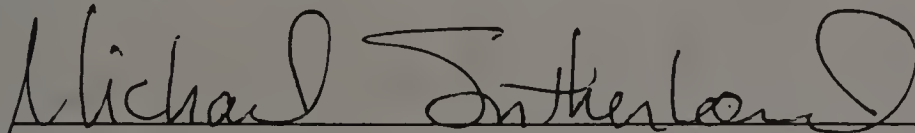
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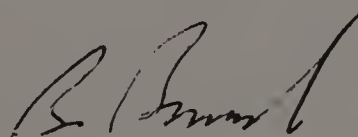
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To my daughter Andrea,
with love.

ACKNOWLEDGEMENTS

This accomplishment is not mine alone. In these pages, I share the attainment of this personal and professional goal with those that made it possible.

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All of these people, and many more, were instrumental in this endeavor. It is a joyful point in my personal and professional development, and I am indebted to the faculty, my friends, family and peers for their role in the process.

ABSTRACT

THE BOARD'S ROLE IN THE STRATEGIC MANAGEMENT OF NONPROFIT ORGANIZATIONS: A SURVEY OF EASTERN U.S. AND CANADIAN YMCA ORGANIZATIONS

MAY 1990

JULIE SICILIANO, B.S.B.A., WESTERN NEW ENGLAND COLLEGE

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In the last decade, nonprofit organizations have faced rapid shifts in their environment due to reductions in government funding and increased expectations from the public. Management skills and techniques, once considered applicable only to for-profit organizations, are being emphasized; and nonprofit boards are encouraged to take an active role in the strategic management of the organization. To this end, board members with business backgrounds are suggested as valuable resources on the nonprofit board because of their managerial expertise.

This study addresses the issue of whether the composition of the board and its role in planning influence organizational performance. Also, whether Canadian

associations differ from U.S. firms in the these relationships is investigated.

Board members with business backgrounds are singled out, and board activities include strategic management, administrative duties and fundraising. Organizational outcomes are the level of planning formality in the organization and four performance measures.

Several hypotheses are tested. The proposition that formal planning improves organizational performance is verified in U.S. organizations with reference to the social performance indicator. In Canada, formal planning is negatively related to operating efficiency and level of funds raised.

Hypotheses regarding the positive association between board composition, board activities and organizational outcomes are supported in both groups, with strong explanatory effects revealed via path modelling of the data.

Board profiles for both U.S. and Canadian operations show that Canadian organizations have greater proportions of constituents represented on their boards. However, the involvement of these members is perceived to be lower in both countries, implying that representation may be at the expense of involvement.

For researchers, the findings suggest that studies relying on univariate methods of analysis may be

misleading, since intervening variables are not considered. For managers, implications for the role of formal planning and for the design and utilization of boards are presented.

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C H A P T E R I

INTRODUCTION

Overview

After business and government, nonprofit organizations are referred to as the third sector of the American economy. This sector accounts for a vital part of the nation's educational system, scientific and social science research, health care, art, culture, public broadcasting, social services and public advocacy. In other countries, major social institutions are funded and operated by the state; in the United States, these are privately controlled and funded by a mixture of private and government support.

To be granted nonprofit status, a social purpose or mission must be the primary goal of the organization, not profit-making as in the business sector. Because of the social purpose, many of the management techniques that originated in business were considered inappropriate; nonprofit organizations often had objectives which were difficult to measure and effectiveness was based largely on impression. And, as long as private and governmental funding continued, many of these organizations were able to survive without being concerned with efficiency and productivity.

However, in the 1970s and 1980s, the nonprofit sector faced rapid and fundamental shifts in the environment (Abramson & Salamon, 1986). According to Young and Sleeper (1987), the political/economic climate changed from government support of services delivered by nonprofits, to reduction of government funding and a new emphasis on survival in the marketplace.

The increased expectations and demands from the public and society in the last two decades continue to pressure these organizations to improve accountability and performance. No longer are good intentions sufficient for survival (Drucker, 1988).

Today, the emphasis is on strategic planning and thinking. Scholars, consultants and practitioners advocate using a strategic framework, which allows the nonprofit executive to chart a clearer course for the organization (Bryson, 1988; Crittenden, Crittenden & Venkataramana, 1988; Hatten, 1982; Middleton, 1986; Nutt, 1984). The process of strategic management differs from other types of long range planning through its focus on an environment-organization interface.

The board's role in strategic management is considered a critical one for several reasons. Organizational direction setting is a legal responsibility of the board (Duca, 1986; Hardy, 1984; Waldo, 1986). Also, the board has the unique characteristic of being part of the

environment and the organization (Middleton, 1987). Finally, board members with business backgrounds are suggested as valuable resources to help institute formal planning techniques in the organization (Duca, 1986; Louden, 1982; Metter, 1988).

Involving the board in the planning process, then, has several advantages. It suggests that board members are paying attention to one of their fiduciary duties by taking an active role in developing organizational direction; it takes advantage of the board's external perspective if their input is solicited; and board members with business backgrounds may be able to facilitate the planning process because of similar experiences in their organizations.

From the above, it is apparent that the nonprofit sector faces new challenges. Planning frameworks are developing to help anticipate and cope with a changing environment. Management skills and techniques are being emphasized. Nonprofit organizations are being pressured to improve accountability and performance. Boards are encouraged to play an active role in the strategic management of the organization; and, finally, organizations are advised to recruit corporate executives for their managerial expertise.

Research Question

These prescriptions suggest relationships among board composition, board activities, the planning process and organizational performance. However, the limited empirical research to date has been inconclusive. Studies involving boards tend to focus on the direct relationship between any two components but rarely look at the combined effects of composition, activities and performance.

For example, some research has reported positive associations between board characteristics--such as size, board member status, occupation, gender--and organizational performance (Babchuk, Nicholas, Marsey & Gordon, 1960; Provan, 1980; Zald, 1967). However, board activities are generally not included.

In studies involving board activities, the relationship to performance is made but without integrating board composition variables (Middleton, 1988; Price, 1953).

Two studies included the components of board composition, board roles and organizational performance; however, their results were inconclusive. Miller, Weiss and MacLeod (1988) examined board factors to organizational performance; but their model was not integrated. Board composition was compared to board activities; then separately board activities were matched to performance. No conclusions could be drawn regarding the combined

effects of these variables on performance. Zahra and Floyd (1987) developed an integrative framework of board prestige, board strategic control activity, firm strategy and organization performance; however, their findings were limited. Like many other studies involving the nonprofit sector, their sample included a wide variety of human service agencies. Differences in source of revenue and membership structure among the sampled organizations may have distorted the data.

The purpose of this study is to reexamine the question of how board composition and board activities affect organizational performance with two variations from previous research. First, the level of planning and the board's involvement in the process are included. Second, the method of analysis is multivariate.

Methodology

The relationship between board composition and organizational performance involves intervening variables, especially the activities the board performs. To get at these intervening variables, a path diagram is proposed showing how the variables are thought to affect one another; and a set of regression equations provide data to calculate the magnitude of the paths.

Path modelling is frequently utilized in the social and biological sciences (Asher, 1983) and was recently used in the analysis of strategy and performance (Woo, 1987). The technique is also appropriate for studies involving governance issues, since the board's contribution to performance may take many forms.

One type of nonprofit organization is sampled, YMCAs. Board composition, board activities and organizational activities are determined on the basis of survey responses from chief executives. Financial performance indicators are generated from published revenue and expense data.

Separate groupings for U.S. and Canadian operations are maintained. The Canadian component of this study serves two purposes. First, it provides a means of comparative analysis. With only one grouping, patterns are less likely to be spotted.

Second, more emphasis is being placed on international studies in both the nonprofit and for-profit sectors. With reference to governance issues in general, Zahra and Pearce (1989) suggest international comparisons as an area for future research due to the global nature of business today. With reference to the nonprofit sector, scholars have begun to investigate the nature of giving, volunteering and management from a cross-cultural perspective (James, 1989).

As a result, this project is timely in its investigation of a new phenomenon in the nonprofit sector,

strategic management, and in its comparison of boards in two countries. Also, it is one of the first to investigate the topic of governance using an integrative model and a multivariate approach to analyzing the data.

C H A P T E R I I

LITERATURE REVIEW

The literature review chapter consists of three sections. Since this project surveys a nonprofit organization, the first part reviews theories and research pertaining to the nonprofit sector and its use of strategic management techniques. The second part reviews the literature pertaining to board of director composition and activities. The chapter concludes with the presentation of an integrative framework for studying the board's impact on the organization.

The Study of Nonprofit Organizations

Nonprofit organizations evolved as citizens banded together to provide services for residents of their community. Today, these organizations perform activities ranging from the management of schools, churches and hospitals to the operation of Girl Scout troops, fraternities and country clubs.

As the customers and clients vary, so do the structural forms of the institutions. For example, some nonprofit firms have members, such as automobile clubs, trade associations and country clubs. In one respect,

these members resemble stockholders in the business sector, since they elect the chief staff officer and monitor the actions of directors and officers. Other organizations, such as hospitals, nursing homes and educational institutions have no members but have customers who purchase the institutions' services, and the forces of supply and demand often act as a regulating agent. Still another type of organization is one that receives donations from one group and provides services to clients at no charge. These organizations are monitored by their boards and by state attorneys general.

While some of these services and structural forms are unique to nonprofit organizations, many are provided by for-profit enterprises. The difference, however, is that nonprofits pay virtually no federal, state, local, property, sales or use taxes and may be exempt from social security and unemployment contributions. To obtain this status, nonprofits must be organized for a purpose, not for pecuniary gain. No part of the assets, income or profit may be distributed (except under circumstances permitted by statute) to members, directors or officers. Profits are not prohibited, but earnings must be retained.

The number of organizations that take this form has tripled since the late 1960's (Weisbrod, 1988); and as the United States service economy has expanded, so has employment in the nonprofit sector (Rudney & Weitzman,

1983). Other key dimensions, such as percentage of national income and amount of assets also exhibit a similar upward trend (Hodgkinson & Weitzman, 1986; Statistics of Income Bulletin, 1987).

This growth pattern has attracted the attention of economists, legal scholars and management researchers; and their discussions often draw on the for-profit sector for comparison purposes.

Economic Rationale

Many economists see nonprofit firms as a response to market failure in the private sector (Holtmann, 1988; Legorreta & Young, 1986). One argument is that inequality in information available to various parties causes the private market to take advantage of the less informed consumer, for example, when differences in quality of service cannot be detected (Weisbrod, 1988). A similar viewpoint was proposed by Krashinsky (1986) who focused on uncertainty and the problem of monitoring quality of output. Along these same lines, Hansmann (1980) described nonprofit organizations as having a broad contract, which is their legal commitment to devote all earnings to the production of services. As a result, he hypothesized, there would be no incentive to cut quality and raise prices (those in charge are barred from taking profits), and

therefore these institutions would be more "trusted" by the public.

Legal Considerations

In the legal sphere, the increase in the number and aggregate wealth of charitable institutions has "taken the law by surprise" (Fishman, 1985, p. 618). There are no uniform or standard definitions of nonprofit organizations, and critics charge that nonprofit corporation law has developed as an afterthought to business corporation law (Boyd, 1987; Fishman, 1987).

Legal scholars call for a unified legal code designed specifically for nonprofit organizations (Collin, 1987; Harvey, 1984); and some writers recommend stricter standards of conduct for nonprofit officers and boards of directors than those applied to for-profit officials (Boyd, 1987; Fishman, 1987; Hansmann, 1981). This is in response to the courts' tendency to see similarities in directors from both sectors and to judge nonprofit board members according to for-profit standards (*Stern v. Lucy Webb Hayes Training School for Deaconesses and Missionaries*, 1974; *Raven's Cove Townhomes, Inc. v. Knuppe Development Co.*, 1981; *Johnson v. Johnson*, 1986).

Management Perspective

While many economists and legal scholars often stress the difference between the for-profit and nonprofit sectors, management theorists and practitioners have focused on the similarities, especially in the past few years (Bryson, 1988; Crittenden, Crittenden & Venkataramana, 1988; Drucker, 1988; Firstenberg, 1986). Changes in the environment have forced nonprofits to reexamine their methods of operation and to look closely at theories of management once thought appropriate only for the private sector.

The management technique attracting the interest of scholars, consultants and practitioners in the 1980s is strategic management and its application to nonprofit institutions.

Strategic Management

The field of strategic management has its roots in the military or government sector (Bracker, 1980; Bryson, 1988); however, development of the concept has occurred in the private sphere. As organizations increased in size and complexity, and as the environment began to change more rapidly, top management began to rethink the core business of the firm and its relation to the environment. Where

once internal policies were the chief executive's primary concern, external considerations and strategy development became the chief executive's role. As defined by Schendel and Hofer (1979, 11):

Strategic management is a process that deals with the entrepreneurial work of the organization, with organizational renewal and growth, and more particularly, with developing and utilizing the strategy which is to guide the organization's operations.

Changes in the environment brought about strategic thinking in the for-profit sector, and volatile environmental forces have begun to impact nonprofit organizations as well. However, these forces were not always present or at least not to the same extent.

It was not unusual in the past for financially weak nonprofit organizations to use a deficit situation as an occasion for raising funds to bolster operations. Failure to achieve goals was not a sign of weakness but a sign that efforts to generate donations needed to be intensified (Kanter & Summers, 1987).

Concepts such as operating efficiency, competitive analysis, worker productivity and judging performance on the basis of goal achievement were considered management techniques applicable only to companies with a bottom line.

However, the situation has changed. The political and economic climate has shifted from government support of services delivered by charitable firms to reduction of government funding (Abramson & Salamon, 1986; Young & Sleeper, 1987). Increased expectations and demands from the public and society have pressured nonprofits to improve accountability and performance. No longer are good intentions sufficient for survival (Drucker, 1988).

As a result of the shifting environment, a good deal of emphasis has been placed on strategic planning and thinking in the nonprofit sector. Scholars, consultants and practitioners advocate using a strategic framework which allows executives to chart a clearer course for the organization. This process differs from other types of long range planning through its focus on an environment-organization interface. A strict adherence to the organization's internal mission and program mix may not be appropriate in a changing world.

Empirical Research

Despite this strong encouragement to adopt strategic management techniques, empirical analysis of the type of planning utilized by nonprofit organizations is scarce. Only three studies have attempted to identify this activity. In a survey of 317 top administrators of various

nonprofit organizations, Crittenden, Crittenden and Venkataramana (1988) concluded that the basic tenets of the for-profit planning model applied to nonprofit organizations. Using factor analysis, the researchers identified nonprofit planning techniques as goal setting, strategy formulation, environmental analysis, strategy implementation and strategic control/evaluation. Only administrative style, financial resource planning and membership involvement had greater importance in this sector. The concept of membership involvement was also identified by Middleton (1986) as being a critical internal dynamic of nonprofit organizational planning.

The second study (Middleton, 1987) involved a categorization of planning techniques as operational, long-range, strategic or informal. Two types of organizations were surveyed: nonprofits serving the mentally retarded versus performing arts organizations. The latter were more likely to use a strategic planning model similar to that used by many of their corporate sponsors. The process incorporated market analysis, financial projections and plans for increased revenue generation.

In the third study, Young and Sleeper (1988) provided executive directors of health and social welfare associations with a definition of strategic planning that included environmental analysis, organizational assessment, strategic direction and plan formulation, implementation

and performance evaluation. They asked the executives for information regarding the organization's use of the techniques.

Results indicated that corporations (centralized organizations) and movements (local autonomy but shared mission) used strategic planning methods which closely paralleled for-profit techniques, as did the definition provided by the authors.

The Practitioner's Perspective

Although empirical studies are few, practitioner-oriented materials urging nonprofits to adopt for-profit strategic management methods have increased markedly over the last ten years (Connors, 1988; Duca, 1986 Firstenberg, 1986; Hardy, 1984; Mason, 1984; Unterman & Davis, 1984; Waldo, 1986).

For example, Bryson (1988) compared various for-profit approaches to strategic management and their applicability to the nonprofit sector. He suggested a strategic management model that closely paralleled the Harvard policy model (Andrews, 1980; Christensen et al., 1983) and Freeman's (1984) stakeholder management approach. The result of combining these two approaches was a planning technique prescribed by Bryson that incorporated broad policy and direction setting, internal and external

assessments, attention to key stakeholders, identification of key issues, development of strategy to deal with each issue, decision making, action and continuous monitoring of results.

Nonprofit versus For-profit Planning Gaps

Despite this tendency to associate nonprofit organizations with strategic planning models from the for-profit sector, a commonly held assumption is that nonprofit firms have yet to reach the stages of strategic planning and management that for-profit organizations initiated fifteen to twenty years ago (Middleton, 1986; Unterman & Davis, 1982). Reasons for the gap range from a perceived lack of sophistication on the part of nonprofit managers (Unterman & Davis, 1982) to the inappropriateness of planning models which measure purpose by profit and returns on investment (Hatten, 1982; Nutt, 1984).

One explanation for this discrepancy (nonprofits are not sophisticated enough to handle strategic management versus planning models that are described and prescribed as similar to for-profit models) is the diversity that characterizes this sector. The term "nonprofit" encompasses a wide variety of institutions, some of which may have relatively unsophisticated management and others that closely resemble for-profit organizations.

Classification of Nonprofit Organizations

Theory formation and research by each of the previously mentioned disciplines is complicated by the fact that nonprofit organizations are diverse in structural form and in the activities and services they provide. The simple term "member" has potential definitional problems. Members could be board volunteers, or those who belong to a country club, or those who volunteer their time in a hospital, for example. How much an organization relies on donations for revenue is another factor that adds to the sector's diversity.

Classification by Structure and Income Source

One notable attempt at classification is Henry Hansmann's breakdown of organizations according to structure (how the entity is controlled) and source of income or patrons (1981, 503):

	TYPE OF CONTROL	
	Mutual	Entrepreneurial
Donative	Common Cause National Audubon Soc. Political clubs	CARE March of Dimes Art museums
TYPE OF PATRON		
Commercial	American Auto Assoc. Consumers Union Country clubs	National Geo.Soc. Educ.Testing Ser. Hospitals Nursing homes

Those organizations who receive the bulk of their income from donations are classified as donative, whereas commercial types receive income from the sales of goods and services to customers. Control is viewed as the power to elect the board; and in mutual organizations, that power is controlled by the patrons. Entrepreneurial types are those that have self-perpetuating boards.

Hansmann's model is timely in that it distinguishes organizations that have paying members, the commercial nonprofits. The Small Business Administration has targeted them for proposed regulatory and statutory changes ("Statistical Profile of the Nonprofit Sector, 1985); and Hansmann predicts if current legal trends continue, they will ultimately be denied tax exemption (Hansmann, 1987).

Collectiveness Index

Another scheme to classify nonprofit organizations is Weisbrod's "collectiveness index" (1988). This index represents the percentage of donations to total revenue. For example, a provider of purely private goods or services for its members or constituents and not for a collective audience would have an index of zero. On the other hand, a charity aiding the poor would have a high collectiveness index (100) since all revenues are from donations.

Summary

These frameworks are from research in the fields of economics and law, where classification is the central theme. In most of the management studies of this sector, however, samples are drawn without comparing or controlling for type of organization. Although Middleton (1988) found performing arts associations more likely to use for-profit planning frameworks than agencies serving the mentally retarded, research involving strategic planning and management often surveys nonprofit organizations without distinction as to their sources of revenue.

Boards of Directors

Despite their diversity, almost all nonprofit organizations have one entity in common: the governing board of directors. Every organization that is incorporated is required to have a board of directors, trustees or governors who are charged with the responsibility for the management and direction of the organization (Duca, 1986; Hardy, 1984; Waldo, 1985); and most nonprofit organizations are incorporated (Fishman, 1985, 659; Oleck, 1980, 31).

From a legal perspective, boards are viewed according to their collective nature. They constitute a governing

body controlled by majority rule. However, in management and administrative science literature, boards are viewed as groups of individuals who serve different functions and may impact the organization's effectiveness depending on their individual attributes (Baysinger & Butler, 1985). In line with this latter assumption, researchers have tried to establish a relationship between board composition and organizational performance.

Composition

Variables typically associated with composition are board size and member characteristics, such as occupation, status and gender.

Board Size

In the for-profit sector, board size has been increasing at a slow but steady rate (Vance, 1983) partly due to the demands for more representative boards. Members who are not part of management (outsiders) have increased on the average from one in 1973 to ten (71% of the average board) in 1986 (Korn, 1986).

On the other hand, in the nonprofit sector the call is for smaller boards, ranging from 10 to 20 members, in order to increase the involvement of directors (Unterman & Davis, 1982). In a survey of 164 nonprofit organizations, Duca (1986) noted a trend toward smaller-sized boards (20 or

fewer members); and, similarly, Miller and Weiss (1988) determined a mean board size of 19 in their study of 184 boards.

Size and Board Involvement

In the same study, these authors (Miller & Weiss, 1988) tested whether board size was associated with member involvement. Executive directors rated their board's involvement (from not active to very active) in various internal and external activities over a twelve-month period. They found a positive linear relationship between board size and the degree of board involvement in various activities. This contradicts the Unterman and Davis (1982) notion that smaller boards have greater involvement.

Size and Performance

Although none of these studies incorporated measures of organizational performance, earlier work in both sectors has examined board size and its relationship to organizational performance. Larger boards have been associated with better performance. For example, Chaganti, Mahajan & Sharma (1985) compared failed to non-failed firms in the retail industry and found that non-failed firms tended to have larger boards. The authors

suggested that non-failed firms were coopting directors from the environment and using them profitably. However, in a study by Zahra and Stanton (1988), board size was not associated with financial performance.

Still in the for-profit sector, Pfeffer (1972) investigated whether board size was affected by the organization's relationship with the environment and found that the number of directors was positively related to an organization's need for access to external capital markets.

Studies of the composition to performance relationship in the nonprofit sector are complicated by the identification of performance measures. The amount of funds generated is typically the measure of organizational success, and large boards are associated with higher levels of funds raised (Provan, 1980; Pfeffer, 1973). However, this measure may be appropriate only for "donative" institutions, identified by Hansmann (1981) as organizations receiving the majority of funds through donations. The findings cannot be generalized to commercial nonprofits, which generate a majority of revenue through the sale of services.

Occupation

Another aspect of board composition involves occupation distinctions. For the last several years, studies in the for-profit sector have been preoccupied with whether board members are part of the management of the organization or are independent outsiders (Baysinger & Butler, 1985; Chaganti, Mahajan & Sharma, 1985; Kesner, Victor & Lamont, 1986; Pfeffer, 1972; Rechner & Dalton, 1988; Vance, 1978, 1983). The results have been inconclusive.

The outsider versus insider perspective is not relevant to the nonprofit sector. Nonprofit boards, in comparison, have few (if any) insiders and have always had an outsider perspective. If anyone from management is on the board, it is the chief executive; and s/he is the only member from the staff who regularly attends meetings. It is not the norm for staff to deal directly with the board (Unterman & Davis, 1982).

Zald (1967) classified board members as business leaders, middle management and professionals in his study of 34 Chicago-branch YMCAs. He found that the presence of business leaders on the board was positively correlated with overall efficiency and quality of program (based on rankings by two headquarter personnel) but not attendance at board meetings. Middle managers and professionals were

negatively associated with efficiency and quality of program but positively related to meeting attendance.

Board Members with Business Backgrounds

For generations, business executives have served on boards of nonprofit organizations; and service has become part of the corporation executive's way of life. These are desirable members because of their ability to attract resources (Pfeffer, 1973; Zald, 1967). However, several writers have noted that astute business executives often toss aside principles of good management when they join a nonprofit board and get bogged down in administrative duties (Chait & Taylor, 1989; Fenn, 1971; Metter, 1988; Unterman & Davis, 1982; Wood, 1983)

This situation may be changing. With strategic management being emphasized in nonprofit organizations, executives from business organizations, with expertise in management, are suggested as desirable members of nonprofit boards (Duca, 1986; Loudon, 1982; Metter, 1988; Middleton, 1986; Touche Ross Survey of Business Executives, 1979). However, no studies have examined the involvement of these directors in planning versus their popular role as fundraisers or their tendency to get involved in administrative duties.

Gender

In one of the first attempts to examine nonprofit board composition, Babchuk, Marsey & Gordon (1960) found that men were most likely to be represented on boards of agencies ranked as most vital, even though women participated extensively (as members of nonprofit boards). Status of members (occupation and membership in exclusive clubs) was found to be positively related to the ranking of the agency. The agencies were scored by seven civic leaders as to how vital they were to the community's welfare.

The lower influence of women also was discussed by Mayer Zald, who studied 34 Chicago-branch YMCAs in the 1960s. He hypothesized that societal role definitions of men versus women influence board member participation; women rarely represent major bureaucratic organizations and thus have less command of external resources. In addition, he suggested that women are socialized to more passive role taking. However, Provan (1980) found no association between the percent of males on the nonprofit board and the organization's ability to attract funding from bequests, the United Way or from non-United Way sources. Provan suggested that the traditional assumptions about the lack of power held by women in organizational contexts may no longer apply.

Representative Boards

Nonprofit associations are organized around community needs; and one might expect the boards to be representative of the constituencies for which the organizations were formed (Young, 1986).

However, the evidence suggests otherwise. Kohn & Mortimer (1983) studied the breakdown of college and university trustees and found that 85% were male, 93% white, 65% were fifty years or older, 90% held bachelor's degrees, and 75% were in business, education or other professions.

A similar profile was found by Nason (1977) where trustees of foundations were predominantly male, white, Protestant, in their 50's to 60's, wealthy, and in business or law. Kramer (1981) identified board members of organizations working with the mentally or physically handicapped as predominantly male professionals.

Summary

To summarize the above, nonprofit boards resemble their for-profit counterparts in occupation and gender characteristics. Volunteer boards are getting smaller, approaching 15 to 20 members, which is also the size of the

average for-profit board in the 1980s. Lastly, the added characteristic of "business expertise" has been suggested as a valuable resource for directors in this decade.

Activities

Internal Functions

Boards perform two types of functions: those internal to the organization and those involving external activities (Zald, 1969; Mintzberg, 1983). Internal activities are inward-looking and involve administrative duties, policy formulation and evaluation. The outward-looking or service activities comprise obtaining support from other groups outside the organization and acting as liaison with local businesses and other community members.

This listing of duties also coincides with the legal mandate given to nonprofit boards. According to the Revised Model Nonprofit Corporation Act (1987), the role played by boards of nonprofit corporations may include active involvement in day-to-day activities of the corporation, fundraising, development and approval of policy ... all as dictated by the nature, size, characteristics and needs of the organizations.

External Functions

With reference to the external functions, scholars have traditionally approached this role of the board from an organizational theory, resource dependence perspective. Boards, through key outside members, help to reduce external limitations, allowing greater adaptability on the part of the organization to its environment (Middleton, 1987; Pfeffer, 1972, 1973; Price, 1963; Selznick, 1949; Thompson, 1967; Zald, 1967, 1969).

Empirical Research

Empirical studies that examine board activities from a resource dependency perspective equate board composition with organizational performance (level of funds generated). No distinction is made between the board's role and the measure of performance, i.e., how funds are generated (for example: Pfeffer, 1973; Provan, 1980; Zald, 1967).

With reference to the board's internal or control functions, practitioner-oriented material dominates the literature (Connors, 1988; Duca, 1986; Firstenberg, 1986; Hardy, 1984; Mason, 1984; Waldo, 1986). The common themes are that the board develops long-range plans, the staff implements them and the board monitors results without being involved in day-to-day operations.

Unlike the empirical studies that characterize the resource dependency approach and focus on the composition and performance linkage, scholarly research pertaining to internal functions has dealt primarily with board composition and its relation to board activity. Penn (1971) found that business executives on nonprofit boards prefer administrative tasks, such as establishing operating procedures, budgeting and fiscal control, and organizational staffing. They preferred these over duties external to the organization (obtaining support of other groups and acting as liaison with local businesses, other community groups and local officials). The author concluded that although there is an external role played by nonprofit boards, business directors were more oriented towards internal issues. He further argued that unless the organization's staff initiated a long-range planning effort, the board members would not be involved in this process.

Similar findings were reported by Miller (1986) who noted that executive and planning committees were involved with mostly internal functions. And in a study of college trustees, Wood (1983) determined that board activities had an operational rather than strategic focus, since board members were not perceived as being qualified to develop college strategy.

Thus far, the studies described have focused on either board composition and organizational performance or board composition and board activities.

Combining Composition, Activities and Performance

Only two studies have combined board composition, board function and organizational performance. Miller, Weiss and MacLeod (1988) examined the backgrounds of board members in 184 human service organizations and were able to relate these to board activities. For example, directors with marketing backgrounds were associated with the board being more active in fund-raising, development of the agency's image, and long-term planning. At the same time, board members trained in the service provided by the organization were more likely to be involved in short-term program and budget planning. However, board activities were not strongly related to organizational performance. Many of the relationships were negative, which the writers interpreted as reflecting board activities being responses to environmental and internal circumstances, and not organizational performance.

The second study by Zahra and Floyd (1987) analyzed the links between board prestige, board strategic control activity, company strategy and organizational performance in 52 diverse nonprofit organizations. It represents the

only attempt at investigation of the relationship between board characteristics and strategic activity. Like the Miller et al. study, the strongest link was found between board composition and activity (board prestige and strategic control).

Research Limitations

The limitations of these two studies are common to much of the empirical research to date. Cross-sectional samples have been drawn which incorporate a wide variety of human service agencies. As a result, organizations may not resemble each other in membership structure or source of revenue.

Another limitation to studies conducted in this sector is that performance measures are typically subjective in nature. Although nonprofit organizations do not have "profit" measures per se, data pertaining to membership, revenues, expenses, etc., is generally available. However, the type of organization is again a critical factor in this analysis.

Integrative Model of Board Composition, Activities and Performance

Theoretical Perspective

Recently Zahra and Pearce (1989) identified four theoretical perspectives that form the basis for previous research on boards and organizational performance. Two of the forms (legalistic and resource dependency) are applicable to the nonprofit sector.

Legalistic Viewpoint

The legalistic approach suggests that corporation law mandates that directors fulfill their roles of service and control. This framework has been popular in studies involving the for-profit sector, specifically in the area of the board's fiduciary responsibilities (or lack of them, as the evidence suggests). The legalistic perspective has initiated a variety of studies that compare insider/outsider representation on the board to organizational performance¹ with the repeated proposition that more outsiders ensure better standards of conduct on the part of the board (Chaganti et al., 1985; Kesner, et al., 1986; Vance, 1978, 1983).

There is no empirical work in the nonprofit sector based on the legalistic theory, but this perspective is

appropriate with regards to the board's fiduciary role. Nonprofit directors are being judged according to standards of conduct typically associated with for-profit directors (Stern v. Lucy Webb Hayes Training School for Deaconesses and Missionaries, 1974; Raven's Cove Townhomes, Inc. v. Knuppe Development Co., 1981; Johnson v. Johnson, 1986); and if this trend continues, the framework lends itself to studies pertaining to the board's legally prescribed internal roles.

Resource Dependence Approach

The second perspective, resource dependency, views boards as important boundary spanning units that, because of their connections to the community, are able to bring needed resources to the organization. Empirical work based on this assumption often includes a survey of the nonprofit sector, since level of funds is a convenient measure of demonstrating the acquisition of needed resources (Pfeffer, 1973; Provan, 1980; Zald, 1967). Charitable donations are unique to the nonprofit sector.

Other Perspectives

Zahra and Pearce describe class dominance and agency theories as the final two viewpoints guiding research

pertaining to governance. The former perceives boards as a method of perpetuating the capitalistic elite. Only the most influential individuals are asked to sit on boards. This approach, as the authors suggest, has several limitations, one of which is ignoring the roles of the board in influencing company performance.

Agency theory pertains to for-profit organizations. Since owners are numerous and dispersed, executives have a great deal of freedom and would pursue objectives not likely to coincide with those of the owners. Because of this, boards of directors act as monitoring mechanisms to ensure the maximization of shareholder wealth (Baysinger & Butler, 1985). While this perspective places greater emphasis on the board's role of paying attention to strategic concerns, few empirical studies have examined this issue in the for-profit sector.

The main point made by Zahra and Pearce in reviewing these four perspectives applies equally well to the literature described in this chapter. Studies pertaining to the impact of boards on organizational performance have been fragmented. In the nonprofit sector, research fluctuates from a focus on the board's composition and its relationship to organizational performance, ignoring board roles. Other work looks at board composition and board activities without regard to performance. Few control for internal or external factors, especially organization type.

Model Conceptualization

Similar to the model proposed by Zahra and Pearce, the framework for this study integrates the key variables of composition, board activities and organizational performance. In line with the recent emphasis towards the board's involvement in strategic management, the formality of the firm's strategic planning process is introduced into the model.

Board Composition

As noted by Zahra and Pearce (1989), all four theoretical frameworks that characterize previous research have stressed the importance of board characteristics. Composition is typically comprised of board size, committee structure, and characteristics of board members such as occupation, gender and ethnic background. To investigate the recent focus on directors with backgrounds in the corporate sector, boards could be characterized as made up of business or non-business types.

Board Activities

As noted earlier, board roles are broadly classified into internal and external activities. Internal activities

include administrative type duties as well as the recent emphasis on strategic planning techniques. External activities involve fundraising requirements, although previous studies tended to view fundraising efforts as a performance measure. Measures that capture the board's involvement in planning, administrative duties and fundraising would cover governance functions.

Organizational Performance

A serious limitation of previous work is the subjective measures of organizational performance. Many earlier studies relied exclusively on subjective rankings of the organization's performance or status by the top administrator (Babchuk & Marsey, 1960, Miller et al., 1986; Miller & Weiss, 1988; Price, 1963; Unterman & Davis, 1982; Zahra & Floyd, 1987; Zald, 1967;) The majority of nonprofit organizations are classified by the Internal Revenue as Section 501(c)(3) organizations (entities organized for religious, charitable, scientific, educational, literary and public safety purposes). As such, they are required to file yearly returns, and information pertaining to revenues, expenses, assets, and number of members is generally available (Statistics of Income Bulletin, 1987). Performance measures could be enhanced by financial data comparisons.

Contingencies

Type of organization is a critical external contingency for which few studies control. The nonprofit sector is far too diverse to ignore variation in organizational structure and source of income.

Another contingency involves cultural variations among nonprofit organizations in different countries. Scholars in this sector have begun to adopt a cross-cultural perspective². However, their work has a macro perspective, concentrating on general theories about the development and role of nonprofit organizations as a public policy issue (James, 1989). Nonetheless, as organizations become more global in nature, differences in governance methods among countries could have implications for performance.

A final contingency involves organizational size. Writers who have concentrated on one industry (Pfeffer, 1973; Zald, 1967) have controlled for size and found differences among larger and smaller organizations.

Summary

Based on assumptions from the legalistic and resource dependency perspectives, as well as information from practitioner-oriented material, an integrative model of governance would have board composition affecting

organizational performance with board activities acting as an intervening variable. Also, because of the recent emphasis on strategic management activities and the board's involvement in these, formal strategic planning would be included in the link between board activity and performance as an intervening variable.

Conclusion

Boards of directors and their influence on organizational performance have aroused research attention over the past five decades (Zahra & Pearce, 1989), primarily in the for-profit sector. The study of nonprofit boards is in its infancy; and with the growth of that sector, greater emphasis needs to be placed on research pertaining to the governance of nonprofit organizations.

This chapter presented an overview of the sector. Its primary focus was previous literature pertaining to board composition and board roles. Two theoretical models identified by Zahra and Pearce (1989) apply to research involving nonprofits: the legalistic perspective and resource dependency theory.

Recent changes in the environmental factors affecting this sector were discussed, and these have led to nonprofit

organizations adopting strategic management techniques originating in for-profit business entities. In line with this tendency to incorporate strategic thinking and planning in nonprofit organizations is the recruitment of business executives on the board for their planning expertise.

Only three studies have empirically investigated the strategic management activities of nonprofit organizations, and no research has been done to determine whether business executives provide planning expertise in their role as nonprofit directors.

To guide research in this area, an integrative model is presented that goes beyond the board composition to organizational performance relationship which has characterized previous studies and incorporates board roles as a critical intervening variable. In light of recent strategic planning trends, the model distinguishes strategic management activities on the part of the organization and its board. Also, due to the heterogeneous nature of the nonprofit sector, type of organization is suggested as an external contingency.

By means of an integrative model which includes the board's role in the strategic management of the organization, scholars may be given clues in determining whether boards have an impact on organizational performance. For managers, research taking this

perspective may provide guidance in their organization's successful interface with a changing environment and utilization of a valuable resource - the board of directors.

C H A P T E R I I I

METHODOLOGY

Research Questions and Hypotheses

The framework for this project is based on assumptions from two theories. First, according to the legal perspective, boards are responsible for the management and direction of the organization; and their activities are guided by that mandate. In the nonprofit sector, these activities include policy making and/or administrative duties (Revised Model Nonprofit Corporation Act, 1987). From an organizational theory perspective, board composition is a key component of how well the organization gets needed resources from the environment; and who sits on the board is an important variable to organizational success (Selznick, 1949; Thompson, 1967). Attributes such as member occupation, gender, age, status and overall board size typically comprise the composition variable.

As described in the literature review chapter, studies involving nonprofit organizations have focused on the relationships among board composition, board activities and organizational performance, but in a fragmented manner.

This study integrated these key components and was guided by two research questions:

- Q1 Does the composition of the board and its role in strategic management affect the organization's performance?
- Q2 Do Canadian firms differ from United States firms in the relationship among board composition, board activities and organizational performance?

Later in the chapter, the constructs and their measurement are described. However, for this project, performance had three components: financial, constituent satisfaction and social. Appendix A provides a brief discussion of the performance measurement issue in studies involving the nonprofit sector.

With reference to the first question, the focal point is the strategic management of nonprofit organizations. Strategic management techniques for the nonprofit sector have gained in popularity in the 1980s; and numerous books and articles urge nonprofit managers to use these techniques (Barrett & Windham, 1984; Bryson, 1988; Duca, 1986; Hardy, 1984; Mason, 1984; Middleton, 1986; Mott, 1984; Unterman & Davis, 1982).

To date, however, no studies have investigated whether formal strategic management methods influences organizational performance. This may be largely due to the fact that nonprofit organizations have only recently

adopted management techniques (Drucker, 1988) and scholars are just beginning to take an interest in the nonprofit sector (Bailey, 1988).

Therefore, to reflect the central focus of this research project, it is hypothesized that:

H₁ Formal strategic management methods improve organizational performance.

This relationship has been investigated in the for-profit sector, and the results have been inconclusive. In an extensive review of the literature regarding the connection between formal strategic planning and firm performance, Pearce, Freeman and Robinson (1987) suggest the inconsistent results can be traced to different operationalizations of formal strategic planning. These have ranged from assessing the formality of the process based on written documents or the use of a six-item Guttman scale developed by Wood and LaForge (1979) to the perceived importance of planning. These authors also suggest that organizational size is a moderating variable to the formality of the strategic management process. This point was made by YMCA national officials early in the study.

Another problem, according to Venkatraman and Ramanujam (1986), lies in the measurement of business performance, which is often narrowly defined. These

authors suggest examining different measures from alternate sources.

This study addresses these concerns as follows. The survey instrument was designed to include anchored scales to reduce bias in the responses. Regression equations control for organizational size. Four performance variables are included, with data from alternate sources as a comparative measure.

Along with the issue of formal planning and its effects, board involvement in the organization is also investigated. Because of the importance assigned to boards in the nonprofit sector (Oleck, 1980), the recent emphasis towards more formal planning processes calls for the board's active involvement. In particular, the occupation of board members has drawn attention. For example, several sources have observed the tendency to recruit board volunteers with managerial and business experience to formalize the organization's use of strategic management techniques (Duca, 1986; Loudon, 1982; Metter, 1988; Middleton, 1986; Touche Ross Survey of Business Executives, 1979; Unterman & Davis, 1982). The following hypotheses reflect these considerations of board composition and board activity:

- H_{2a} The proportion of board members with business backgrounds is significantly related to the formality of strategic management in the organization.

- H_{2b} Boards will be more involved in strategic management activities in organizations with more formal processes.

While each of these hypotheses provides different pieces of information, the purpose of this study is to specify and test a more complete and integrative model. This model incorporates the previously hypothesized relationships among board composition, board activity, and organizational performance and suggests that:

- H₃ Better performing organizations will have a higher percentage of board members with business backgrounds and greater involvement by the board in strategic management than poorer performing organizations.

The second research question asked whether there was any difference between U. S. and Canadian firms in the linkages among board composition, involvement in planning activities and the impact of these two constructs on organizational performance.

According to James (1987), although the nonprofit sector varies in size from one country to another, where the organizations do exist, their behavior is similar. She specifically describes the similarity in macro terms, i.e., why the organizations develop and government policy towards who produces the services and how they are funded. From a micro level, however, no studies have investigated behavior in terms of the governance function and whether there is a

variation in the behavior between boards in different countries and their involvement in strategic management. The data, therefore, will be compared in an exploratory manner, with the Canadian sample presented separately.

Research Design

The design for this project is a cross-sectional comparative study of a multi-national nonprofit organization. It incorporates a multisite, multisource research methodology (Harrigan, 1983). Data is gathered from multiple data sources, and constructs are measured from multiple perspectives. Specifically, perceptions regarding organizational and board activities are gathered from chief executives and board chairpersons. Organizational performance is determined by means of published financial information and subjective rankings of consultants. Lastly, on-site visits and telephone interviews provide insight to the researcher and a means to cross-check survey responses.

Data Collection

The Sample

Several writers studying the public and nonprofit sectors have called for studies involving similar organizations. According to Flynn (1986), comparisons are only valid between organizations that are homogeneous and involve data collected in identical ways. Anthony and Herzlinger (1975) found that comparing similar organizations simplifies performance evaluation. Since nonprofit organizations vary widely in their source of revenue and type of service performed, effectiveness criteria unique to a particular organization would be more valid than if different types of nonprofits were sampled. Admittedly, this technique limits generalizability to other organizations. However, since the sector is so varied, it is suggested that studying one type of organization is appropriate for these early stages of management research.

As a result, this project sampled one type of institution, YMCA organizations in Canada and in the eastern part of the United States. According to the classification developed by Hansmann (1981), YMCAs are considered "entrepreneurial commercial" nonprofit

organizations. That is, their boards are self-perpetuating and revenue is derived primarily from program fees.

There are several advantages associated with studying commercial nonprofits. First, they represent a significant subsection of the nonprofit sector, an estimated two-thirds (Hansmann, 1987). Secondly, they closely resemble for-profit organizations, since they receive a large portion of their revenue from "customers." Access to for-profit boardrooms is difficult; therefore, studying the entrepreneurial commercial nonprofits may lead to information that could be transferred to the for-profit sector. Lastly, the commercial nonprofits are currently of interest as the target for regulatory and statutory changes (Hansmann, 1987; U.S. Small Business Administration, 1985). The YMCA, for example, has faced challenges to its tax exempt status from local health clubs and day-care centers that do not qualify for nonprofit status ("YMCA Chief...", 1989).

In summary, commercial nonprofits represent an important group of organizations to study. They constitute a large portion of the sector; they have characteristics of their for-profit counterparts; and their structure and strategies are drawing the attention of legal and management scholars.

YMCA Background

To understand its membership focus and strong board involvement, a brief historical description of the YMCA is provided. The first YMCA was formed in 1844 in London, England, as an evangelical lay organization that converted to Christianity single young men who migrated to the city for work. The eighteen-year-old founder, George Williams, and his friends felt that the newly-relocated young men, living together in crowded dormitories, lacked spiritual guidance. They also sought to counteract the men's low morals through prayer meetings and non-denominational religious messages. Businessmen who employed the workers noticed the increase in their productivity and began to support the group.

The first YMCA in North America was started with the same mission at St. Helen Street Baptist Church in Montreal in November, 1851; and the second YMCA was formed in Boston one month later (Ford & Bryant, 1989; Hopkins, 1951; The YMCA in Canada, 1981).

Women were given membership in 1934, and the focus has shifted from an evangelical association for young men to a general leisure-time and character-development organization with facilities in over 95 countries.

Although the YMCA has changed, many of the its lasting characteristics evolved from the early organizations. Members pay dues, residents of the

community are asked to contribute to its support, and control is held by the laity in the form of the board. Through the years, the organization has substituted for its evangelistic goals general service programs; nonetheless, each YMCA is mandated to help people develop along socially acceptable lines and not just to sell them services (Zald, 1963).

Today, titles of YMCA staff and board personnel follow corporate business standards; i.e., the general secretary or executive director is now called president/chief executive officer and the chief voluntary officer is referred to as chairperson of the board. This terminology is used throughout the study.

The YMCA group of organizations varies in size from the large metropolitan corporations with revenues of \$1,000,000 or more, the medium-sized corporate Ys (ranging from over \$400,000 to \$1,000,000), and small organizations with revenues of \$400,000 or less. All have a board of directors; and the organizations are independent entities. They pay dues to the national YMCA group, primarily for services as needed. The national office began to emphasize the use of strategic planning techniques in 1985; however the individual Ys are free to choose whether they do any planning. According to the national officials, there is a variety of techniques being used, and in some organizations, only yearly budgets are prepared.

For this study, the sample included all of the Canadian organizations (70) and all YMCAs in the East Field, which encompasses 298 corporations in the states of Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont and Virginia.

The Survey

Although a large portion of the data was generated from a survey mailed to chief executives of each Y, other methods for data collection were also utilized. These included on-site visits and telephone interviews, which provided additional insights into the organizations' planning processes and clarification of responses, as needed. Also, the researcher continues to observe board meetings and to act as a participant-observer on a marketing/planning committee in order to provide an insider perspective on governance issues.

Prior to the survey mailing in July, 1989, several meetings were held with national YMCA officials regarding the project. These are summarized briefly.

January 24, 1989/Boston, MA: This meeting with the East Field regional director took place at the Boston YMCA, and at this time the first research question was discussed. The YMCA official indicated a willingness to participate in

the study and to provide input regarding the terminology to be used in the survey.

March 3, 1989/King of Prussia, PA: A first draft of the questionnaire was brought to the headquarters of the East Field director. The draft was modified to better reflect YMCA language, and several items were suggested for revision. It was agreed that consultants would provide overall subjective rankings of performance as well as a separate ranking of social performance. During this meeting, the YMCA official indicated that the Toronto YMCA was interested in participating in the project.

March 17, 1989/Albany, NY: At a regional conference of YMCA chief executives, the researcher informally discussed board composition and activities with executives on an individual basis. Executives indicated a willingness to participate in the study for several reasons. They were interested in the Canadian comparison; this type of comparison had never been done by the Y. Secondly, the regional director was well respected, and they viewed his endorsement positively. Finally, they would participate if results of the study were made available to them.

June 6-7, 1989/Toronto, CANADA and Chicago, ILL: In a meeting in Toronto with the national officers of the Canadian YMCA organization, the project was discussed and the questionnaire was modified to reflect practices and terminology unique to Canadian YMCAs. The Canadian

officials would not develop subjective rankings of their organizations; however, they provided extensive documentation of "management ratios" that were criteria for organizational performance. These ratios were entirely based on financial data.

This meeting was followed by a trip to the U.S. headquarters in Chicago, where the director of research reviewed the proposed survey instrument. Based on her experience with surveying these organizations, she made recommendations for change, which primarily involved wording revisions. During this meeting, the availability of financial data was discussed. The U.S. organization was unaware of the development of management ratios by Canada. Interestingly, the U.S. organization had just begun to think in terms of key ratios for performance evaluation, while the ratios had been collected for three years in Canada.

As a result of these meetings, both the United States and Canadian officials agreed to the use of YMCA stationery for cover letters and envelopes and to cosign the cover letter with the researcher.

June 20, 1989/Northampton, MA: The survey was pretested by the chief executive of the Northampton YMCA (1988 revenue \$996,875). Again, modifications were made, primarily clarification of terms such as "objectives" and extension of measurement scales of "involvement."

After the initial mailing to chief executives, a shortened version of the survey was mailed to a subsample of board chairpersons as a comparison measure to the chief executive's perception. The statistical comparison of responses is reported in the next chapter.

September 18-19, 1989/Chicago, ILL: Meetings with computer personnel were held to develop a file of statistical data and to extract asset and debt information from audit reports on individual organizations for 1988.

On-site Visits

Fifteen organizations were visited in August, 1989. The primary purpose of the on-site visits was to view strategic planning documents, if available, and to discuss survey responses in greater depth.

For example, the chief executive of the Worcester YMCA remarked that his organization had a very small percentage of minorities on its board, and this was a major concern for him. While this concern had been expressed by the headquarters staff for all YMCAs, the Worcester executive pinpointed the dilemma faced in his community. Women who were willing to serve as board members frequently had jobs where it was difficult for them to attend mid-day meetings. Typically, they held lower level positions in the

organization where they worked. On the other hand, women with higher level positions were scarce, and the YMCA competed for their volunteer time along with other large nonprofits in the city.

Executives were asked what type of performance measures they considered appropriate; and at one of the first visits, the Holyoke YMCA executive suggested that the organization's percentage of sustaining revenue was the best yardstick of success. Sustaining revenue is the amount generated in yearly fund drives. According to this executive, it is an indication of community support and member satisfaction. While most of the other executives agreed with this measure, they cautioned against it being the sole measure. For example, the Pittsfield YMCA executive emphasized the organization's concern for avoiding deficits while still focusing on the primary social purpose of the Y (to develop individuals spiritually, physically and mentally).

Interviews ranged from one to two hours each and most included a tour of the facilities. The types of facilities varied from those in the inner city, such as Middleton and New Britain, CT, to suburban locations, such as Westfield, MA and Southington, CT.³

As a result of these visits, the primary objective to validate the planning measure was achieved. An important sidelight was an appreciation for the unique challenges

these organizations faced, whether through the age and condition of their facilities to the executives' concern that too many organizations had moved away from developing people along socially accepted lines to just selling them services.

Telephone Interviews

Telephone interviews were conducted with 66 U.S. and 9 Canadian YMCAs to clarify survey responses. For example, if a respondent checked a majority of the board members being in the "other" occupation category, the researcher contacted the chief executive to clarify the board members' background.

During one call, the researcher asked to clarify several board characteristics, one in particular. A board member had been classified as a homemaker and a male. When the chief executive was asked about the response, the researcher was accused of gender bias and was assured that the young man was a homemaker.

A cultural bias was discovered when one of the Canadian organizations was contacted to clarify the ethnic background of several board members. Rather than being classified as caucasian, black, hispanic, asian, these members were coded "other." When contacted, the chief executive mentioned that two were from Italy and one was

from Ireland; and according to the executive's opinion, none of the available categories adequately defined their backgrounds. Later, in discussions with the national official, he remarked that certain groups had recently developed a strong presence in the city, and this may have accounted for the response.

These calls primarily clarified response items, but in several instances, the respondents discussed the board's and organization's involvement in strategy, which helped to broaden the researcher's perspective. For example, some chief executives indicated they were unhappy with the national organization's services. The consultants were valuable in setting up the planning process; no guidance was available in keeping the momentum going after the initial planning retreat. Another point was made by one executive who placed much more emphasis on the catalyst in the planning process. This could be the chief executive or the board chairperson; and how formal the process became depended on the catalyst.

Measurement of the Variables

The project involved four constructs: formality of the strategic management process in the organization, board composition, board activities and organizational performance.

Strategic Management Formality

Seven items representing the strategic management process were developed via indepth interviews with the YMCA regional official. These elements were subsequently reviewed by national officials in Chicago and Canada to ensure construct validity. The items were: mission statement or organizational purpose, environmental trends, duplication of services (competitive analysis), long-range goals, statements of objectives, plans of action, and long-range plan monitoring.

This model of strategic management of YMCA organizations is similar to those empirically investigated in other nonprofit organizations (Crittenden et al., 1988; Young & Sleeper, 1988) and to methods prescribed recently for organizations in this sector (Bryson, 1988; Connors, 1988; Duca, 1986; Hardy, 1984; Unterman & Davis, 1984).

The books and articles which have proliferated in the 1980s emphasize the importance of formal planning to the organization's health. Formality of the process is also the major thrust of national YMCA officials in their advice and support to local organizations.

Based on this emphasis towards formal planning, each item was scaled as to its degree of formality using a summated rating or Likert-type scale (Kerlinger, 1986). These scales enable the scores of the items to be averaged

and to yield an organization's overall formal strategic planning score.

However, the scale for this project was modified from the traditional Likert-type measures, which are susceptible to response-set variance (Kerlinger, 1986). Response-set variance occurs due to the tendency for individuals to use certain types of responses (extreme, neutral, etc.). Also, according to Smith and Kendall (1963), the use of anchors increases the likelihood that ratings by different raters are comparable.

The modification involved anchoring the responses with brief descriptions of planning formality. That is, written descriptions were provided in this section of the questionnaire underneath points 5, 3 and 1 on the scale. For example, the scale for the item pertaining to long-range plan monitoring described 5 as "The implementation of long range plans is monitored on a formal basis (i.e. monthly board meetings or scheduled meetings)." A score of 3 was labeled "Long range implementation is monitored informally (i.e. impromptu discussions)." A score of 1 was described as "Long-range plan implementation is not monitored at this time." Respondents were asked to check the point (total intervals equalled 9) that most nearly described their organization's long range plan monitoring.

The major disadvantage to this type of scaling is the large amount of space each question with its anchors

requires. Also, anchors must be unambiguous and require more time to develop. However, because of the cooperation of the Canadian and U. S. national officials in developing meaningful anchors, the anchored scales were chosen over traditional Likert-type scaling.

Board Composition

In the nonprofit sector, board composition typically refers to board size and board member characteristics. In previous studies, these characteristics have included status (Babchuk et al., 1960; Connors, 1988; Kohn & Mortimer, 1983; Provan, 1980) and board member occupation (Kohn & Mortimer, 1983; Kramer, 1981; Nason, 1977; Unterman & Davis, 1982; Zald, 1967).

The chief characteristic of interest in this study was board member occupation, specifically those individuals with business backgrounds. Therefore, the last page of the questionnaire asked chief executive officers to list each board member and to check off their occupational background. The listing of occupations was provided by the national YMCA office. These categories were on file, and the national group encouraged organizational presidents to keep audits of the board, although summary statistics had never been compiled.

Twelve occupational categories were defined. Four of the categories applied to occupations with a business orientation: owner/partner, chief executive, manager, other. Grouping these four categories, organizations were given an aggregate score of the percentage of board members with business backgrounds. The other eight involved non-business backgrounds: education, government service, homemaker, legal, medical/dental, religious work, retired, other.

Although these categories were designed for YMCAs, they closely paralleled groupings from two studies in the for-profit sector (Baysinger & Butler, 1985; Vance, 1978).

Finally, the method for gathering information pertaining to board member occupation is similar to one used by Zald (1967) who surveyed 37 YMCA branch organizations in Chicago. Chief executives provided background data on each board member as part of a larger survey; and from this an aggregate percentage was developed of business leaders, middle management and professionals.

Board Activities

Eleven items pertaining to board activities were developed from the literature on boards in nonprofit organizations. These items fall into three categories: the board's involvement in the strategic management and

planning of the organization, the board's involvement in administrative duties, and the board's role in fundraising.

Board Involvement in Strategic Management and Planning

Most of the information pertaining to the board's role in strategy is prescriptive and is written for practitioners. As noted earlier, the recurring theme is that the board develops long-range plans, the staff implements them, and the board monitors results. Well-run organizations do not have boards involved in the day-to-day operation of the organization (Connors, 1988; Duca, 1986; Firstenberg, 1986; Hardy, 1984; Mason, 1986; Unterman & Davis, 1984; Waldo, 1986).

To determine the board's level of involvement in strategic activities, the seven items, which made up the strategic management variable, reported in the previous section, were repeated: mission or organizational purpose, environmental trends, etc. The difference was in the anchored descriptions that accompanied these seven items. For example, the scale for mission statement had labels for each point as follows:

- 5 "The board primarily decided the type of mission statement."
- 4 "The board primarily decided the type of mission statement with minor input from the staff."
- 3 "The board and staff jointly decided the type of mission statement."

- 2 "The staff decided the type of mission statement;
the board approved it."
- 1 "The staff alone decided the type of mission
statement."
- NA "Does not apply." (Organizations without mission
statements.)

The only empirical work pertaining to the board's role in strategy has been done in the for-profit sector. Henke (1986) asked board chairpersons to rate the board's involvement in various planning activities from zero percent to 100 percent. Tashakori & Boulton (1983) surveyed chief executives regarding board participation and later coded the responses from 0 to 3 depending on which phases of the strategic planning process the board was involved in (strategy formulation, implementation, and evaluation.

The anchored Likert-type scale developed for this project has the advantages of both Henke's (1986) measure, which indicates degree of involvement, and Tashakori & Boulton's (1983) classification, which segregates the basic components of the strategic management process.

Board Involvement in Administrative Duties

The same type of anchored scale was used to determine the boards involvement in administrative duties. Chief executives were asked to check the point that most nearly

described who was involved in: promotional decisions, the recruiting of staff members (other than the chief executive), and budget formulation.

As discussed in the literature review, the few studies to date involving nonprofit boards and their involvement in administrative duties found that boards with business representatives became more involved in staffing and budgeting tasks (Fenn, 1971; Unterman & Davis, 1982; Wood, 1983). These duties along with decisions pertaining to promotion are considered staff responsibilities according to YMCA officials; nonetheless, they indicated some boards take responsibility for these duties.

Board Role in Fundraising

According to Kenneth Dayton, former chairman and chief executive of Dayton Hudson Co. and trustee for such organizations as the Mayo Foundation, American Public Radio, the Rockefeller Foundation and Independent Sector, governance in for-profit and nonprofit organizations is similar except nonprofit directors are obliged to be active in fundraising (O'Connell, 1985; Solomon, 1986).

Fundraising involves raising funds from the community as well as personal financial contributions (Duca, 1986).

For this project, the boards' involvement in fundraising was determined by the chief executive's

perception of how effective the board had been in this activity using the same type of anchored scale. Also, on the last page of the questionnaire, each board member was ranked according to his/her individual involvement in fundraising, and an aggregate score for the board was developed.

Performance

The distinction between nonprofit and for-profit organizations blurs, primarily in the area of performance.

Nonprofit organizations are becoming more concerned with financial performance, and for-profit organizations are developing social missions that incorporate a new awareness of the role of values in successful organizations (Kanter & Summers, 1987).

In the for-profit sector, the bottom line, or profits, has been the standard gauge of how well decisions are made. Prior to the late 1960s, business people were mainly concerned with profits and were answerable primarily to stockholders and owners. In the last two decades, this concern has taken on another dimension, the social responsibility of business to society at large (Wartick & Cochran, 1985).

Sethi (1979) defines social responsibility as the response of business to nonmarket forces. According to

Steiner & Steiner (1988), these forces may include issues such as quality of work life, environmental factors, education, training, and urban renewal.

As the for-profit sector has moved towards increased social awareness, nonprofit organizations have become more concerned with "business-like" activities: setting stringent financial goals, looking at revenue from clients as market tests of performance, and emphasizing accountability and results.

This dual nature of performance is described by Henry Labatte, president since 1970 of the Metropolitan Toronto YMCA, as the managing of two businesses at once: community work and fee-for-service programming. Programs or services are examined from a cost and revenue basis, since meeting expenses is as critical to the Y as to any for-profit organization. However, before a program or service is cut, the issue is re-examined from the social angle, which introduces a new set of variables (Jones, 1984).

In order to capture this dual nature of performance at YMCAs, several measures were gathered.

Financial Ratios

These ratios are as important to nonprofits as to for-profit organizations as one measure of the organization's health. According to Chabotar (1989), nonprofits must

understand their financial condition and ratio analysis can neutralize size effects and improve comparability between organizations.

As noted earlier, the Canadian operation has developed key financial ratios against which organizations are judged. Two are considered reliable for both the U.S. and Canadian operations: productivity and operating efficiency. Productivity is a measure of the organizations use of resources, specifically its employed staff. Revenues are divided by total salaries and benefits. Operating efficiency, total revenues to total expenses, indicates whether organizations are in a deficit situation.

Nonfinancial Performance

In their discussion of business performance measures, Venkatraman and Ramanujam (1986) urge researchers to go beyond the narrow conception of business performance that involves simply financial indicators of economic goals. They describe operational or nonfinancial performance as being additional evidence of an organization's performance. Although their discussion centered around for-profit firms, the point applies as well to commercial nonprofit organizations, those that provide fee-for-service programs.

While these two authors suggested measures such as market share to augment the financial data, national YMCA

officials and organization executives consider the percent of sustaining revenue to be a good measure of nonfinancial performance. This ratio is the amount of funds raised on a yearly basis as compared to total revenue and is an overall indicator of the organization's image in the community and of constituent satisfaction.

Social Performance

Measuring the YMCAs "other business," to use Labatte's analogy, involves assessing the Y's role as a social agency. Traditionally, the YMCA has offered unique programs in fitness, daycare and youthwork that promote self-improvement and self-reliance on the part of the individual. Because of this focus, the organization has been afforded nonprofit status.

In recent years, the national organization has emphasized the need for YMCAs to balance both businesses and to judge programs from both perspectives. In the late 1970s and early 1980s, many organizations had leaned towards improving their financial health at the expense of their social purpose.

In an effort to capture the social performance of each organization, two methods were used. A question on the survey pertained to judging programs. The anchors ranged from programs being judged entirely on a revenue basis, at

one extreme, to a social basis on the other. Although this item represents the chief executive's perception alone, a subsample of board chairpersons were asked the same question. Statistical comparisons of these responses will be discussed in the next chapter.

The second method involved a subjective ranking of associations by consultants. In the United States, consultants who work for the national office and who may be part of the management resource pool (individuals from large metropolitan Ys who advise smaller organizations in the region) ranked each organization on the basis of its commitment to its social mission.

Since the survey measure was available for organizations in both countries, it was used as an indicator of social performance for this project. However, to determine whether the subjective ranking of the consultants affected the model, the consultants' scores were substituted for the social performance measure (the chief executives perception of how programs were judged). Appendix B reports the results of this substitution in the model.

Method of Analysis

One of the most persistent hypotheses in governance literature is that board composition affects organizational

performance. This is a long causal path, and researchers have recognized that intervening variables may affect the relationship. However, their method of analysis is most often univariate, comparing board composition to board activity, then board activity to organizational performance. As a result, little is learned about how intervening variables influence the relationship from board composition to organizational performance.

A multivariate technique that provides insight into the influence of intervening variables is path analysis. As reported by Pfaffenberger (1979), the technique was developed in the 1920s by Sewall Wright, who promoted its use in genetics. Wright's methodology was developed at the same time that R. A. Fisher, the British statistician, devised a quantitative genetic theory based on probability. Fisher's approach prevailed; and path analysis was not utilized until several decades later.

Path Analysis

Path analysis is a form of applied multiple regression analysis that provides information pertaining to the direct and indirect influences of independent variables on a dependent variable (Kerlinger, 1986). On the basis of

knowledge and theoretical considerations, a path diagram is constructed by the researcher. This diagram, then, provides a useful graphic display of the relationships among several variables. The magnitude of each path is revealed by coefficients, which are actually standardized regression coefficients (Pedhazur, 1982).

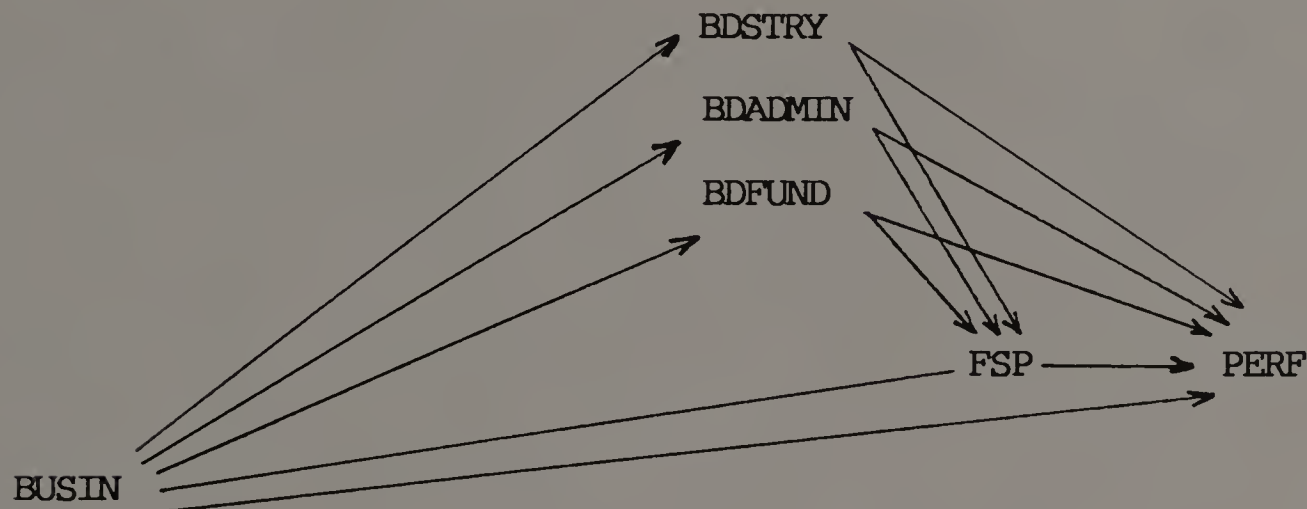
Assumptions

Path analysis is subject to the same constraints as the regression framework: the relations among the variables are linear, homoscedasticity - variances of exogenous variables are homogeneous, residuals are not correlated with variables that precede them in the model, variables are measured without error and on an interval scale (Asher, 1983; Kenny, 1979; Pedhazur, 1982; Pfaffenberger, 1979).

Path Diagram

In developing the path diagram, variables are named and paths are drawn showing how the variables relate to one another. For this project, the variables are the percentage of businesspeople on the board (BUSIN), the board's involvement in strategic management (BDSTRY),

administration (BDADMIN) and fundraising (BDFUND), the level of formality of the strategic planning process in the organization (FSP) and organizational performance (PERF).



In path modelling, a distinction is made between exogenous variables (those items whose variability is assumed to be determined by causes outside the model) and endogenous variables (those whose variation is explained by exogenous or endogenous variables in the system). BUSIN is an exogenous variable; it is determined by influences which lie outside of the specified model and no attempt is made to explain its variation. All other variables are endogenous, and each has a residual variable to reconcile the variation not accounted for by the model.

Unidirectional Model

The direction of causation is from board composition to organizational performance and is based on assumptions

from legal and organizational theory. Two way feedback effects are not hypothesized. While performance may lead to more formalized planning processes in the organization, which may lead to different types of board members being selected to sit on the board, these considerations require longitudinal analysis.

This model does not specify the direction of effects among board activities, thus there are no paths between BDSTRY and BDADMIN, BDADMIN and BDFUND, or between BDSTRY and BDFUND. This is an example of an overidentified model, which according to Pedhazur (1982) means that the model contains more information than is necessary to estimate the path coefficients. Specifically, there are 15 "knowns" (correlations among the 15 variables) and 12 "unknowns" (path coefficients).

In this model, no relationship is specified among the board activities (BDSTRY, BDADMIN, BDFUND), and the effects among them remain unanalyzed.

Path Coefficients

Path coefficients are estimated by regression coefficients, which measure the proportion of variance in the dependent variable accounted for by the explanatory variables when all other intervening variables are held constant. The difference is that in ordinary regression

analysis, a dependent variable is regressed on all independent variables, resulting in the estimation of direct effects. In path modelling, more than one regression analysis is performed. At each stage of the model, a dependent variable is regressed on independent variables, and the result is the decomposition of correlations among variables.

Calculation of Path Coefficients

To calculate path coefficients (P) and error terms (E) a set of structural equations were developed. For this model, the equations were:

$$\begin{aligned} \text{FSP} &= \text{PsBUSIN} + \text{PsBDSTRY} + \text{PsBDADMIN} + \text{PsBDFUND} + \text{PsEs} \\ \text{PERF} &= \text{PfBUSIN} + \text{PfBDSTRY} + \text{PfBDADMIN} + \text{PfBDFUND} + \\ &\quad \text{PfFSP} + \text{PfEf} \end{aligned}$$

The path coefficients that indicate the effect of the composition variable (BUSIN) on board activities (BDSTRY, BDADMIN, BDFUND) are equal to their respective correlation coefficients. According to Pedhazur (1982), a path coefficient is equal to a zero-order correlation when a variable is dependent on one other variable and a residual.

Decomposition of Correlations

Zero-order correlations between any two variables are decomposed into simple and compound paths. Simple paths represent the direct effect of one variable on another. One simple path would be from BUSIN to BDSTRY. Compound paths travel through other variables and provide information pertaining to indirect effects and spurious effects. For example, in the compound path from BUSIN to FSP, three variables are between the direct relationship of the percentage of business people on the board and the level of planning formality in the organization. They are BDSTRY, BDADMIN, BDFUND and their effects are considered indirect.

Spurious effects, on the other hand, are the result of influences outside of the causal path. In the relationship between FSP and PERF, all other effects are spurious due to their common causes (BUSIN, BDSTRY, BDADMIN, BDFUND).

The advantage to calculating indirect and spurious effects is that more information is learned about how variables affect one another. For example, in some situations, indirect effects are greater than direct effects or they are in opposite directions. This cancelling effect could cause the zero-order correlation to be miniscule. Without the breakdown of effects, one might assume there was no relationship between the variables

when, in fact, an indirect effect triggered the overall small correlation (Asher, 1983).

Conclusion

This chapter began with a discussion of the research questions and hypotheses that guided data analysis. The research design for the project is a cross-sectional comparative study of YMCA organizations in the eastern U.S. and Canada.

The key variables are:

<u>Variable Code</u>	<u>Description</u>	<u>Source of Data</u>
BUSIN	Percent of board members with business backgrounds.	Survey-Part IV
BDSTRY	Score indicating the board's involvement in strategic management activities.	Survey-Part II
BDADMIN	Score indicating the board's involvement in administrative duties.	Survey-Part II
BDFUND	The board's perceived effectiveness in fundraising.	Survey-Part II
FSP	The organization's level of formal strategic planning.	Survey-Part I
PRDCTY	Productivity (Revenue/Salaries + Benefits)	Published data
OPEFF	Operating Efficiency (Revenue/Expenses)	Published data

<u>Variable Code</u>	<u>Description</u>	<u>Source of Data</u>
PERSUS	Percent Sustaining Revenue (Funds from Yearly Campaigns/ Total Revenue)	Published data
PROJUDG	Score indicating the basis judging programs.	Survey-Part II

The chapter concluded with a discussion of path analysis, which is the multivariate analytical method used to test the hypotheses.

C H A P T E R I V

FINDINGS AND DISCUSSION

Questionnaire Response Rate

Questionnaires were mailed July 7 and July 12, 1989 to United States and Canadian YMCAs respectively under cover letters signed by the researcher and YMCA officials (Appendix C). As a result of the first mailing, 60% of the U.S. and 77% of the Canadian organizations responded. A second mailing was sent one month later. Total response rate equalled 81% (240 questionnaires) for the U.S. group and 86% for Canada (60 questionnaires). This response rate was double that normally achieved by YMCA officials in their mailing to the same groups.

The researcher discussed the high return rate during on-site visits and telephone interviews with chief executives. Respondents identified several aspects of the study that motivated them to respond: (1) The questionnaire was endorsed by YMCA officials, as indicated in the cover letters. (2) The Canadian comparison intrigued many respondents. No comparison data had been collected in the past. (3) The topic of the survey represented two areas of major concern to YMCA organizations at this time: strategic management and board

activities. (4) The instrument was easy to follow. (5) Those who completed the survey were promised survey results.

To check whether the respondents varied from the nonrespondents, proportional frequency distributions were compared based on organizational size, a variable that YMCA national officials stressed as being an important moderator of the planning process. The following table summarizes the groups' distributions:

Table 1
Survey Respondents versus Nonrespondents

		<u>UNITED STATES ORGANIZATIONS</u>			
		<u>Small</u>	<u>Medium</u>	<u>Large</u>	<u>Total</u>
Respondents	N	62	85	91	238
	%	26.1	35.7	38.2	81.2
Nonrespondents	N	21	17	17	55
	%	38.2	30.9	30.9	18.8
Chi-square = 3.268		N/S			

		<u>CANADIAN ORGANIZATIONS</u>			
		<u>Small</u>	<u>Medium</u>	<u>Large</u>	<u>Total</u>
Respondents	N	12	23	25	60
	%	20.0	38.3	41.7	87.0
Nonrespondents	N	5	4		9
	%	55.6	44.4		13.0
Chi-square = 7.840		p=.019			

Small= up to \$400,000 revenue
Medium = \$401,000 to \$999,999
Large = over \$1,000,000

Chi-square statistics were calculated to test the null hypothesis that the two proportions were equal. In the U.S., no difference was found between the respondents and nonrespondents as to organizational size. In Canada, the proportions differed, with the nonrespondents representing a greater percentage of small organizations and therefore the responses may be biased towards larger organizations.

Questionnaire Data

The questionnaire asked chief executives to indicate four types of information: 1) board member background statistics and the perceived level of involvement of each board member, 2) activities that the organization performed, 3) degree of involvement by the board as a whole in strategic planning activities, administrative duties and fundraising, and 4) subjective rankings of the organization by the chief executive regarding such items as facility conditions, endowment funds, and member satisfaction.

The data from this questionnaire provided two types of information. First, individual board characteristics were tabulated to form a profile of the average board in both countries. Second, scales were formed to represent the

overall organization's level of planning formality as well as the board's involvement in several activities.

In the next section, the board profiles will be discussed. These will be followed by a description of the aggregate scores for board and organizational activities.

Individual Board Member Characteristics

YMCA chief executives classified each board member according to background characteristics and subjectively ranked them (high, medium, low) as to their overall involvement in the organization, as well as to their involvement in fundraising.

Board Profiles

Board profiles were formed based on categories for occupation, age, gender, ethnicity, and whether that person (or family member) was a YMCA program participant.

A total of 5,601 board members were classified in the United States; and 1,163 board members made up the Canadian group. Canadian boards averaged 19 members (s.d. 6.8), while U. S. boards had a mean of 23 members (s.d. 6.8).

Occupation

With reference to occupation, U. S. organizations have a higher percentage of board members with business backgrounds than Canadian operations. U. S. organizations averaged 58%, with a standard deviation of 15.1%; Canadians had 52.8%, standard deviation of 19.3%. These proportions represent the BUSIN variable, which is an aggregate percentage of four categories: owners, chief executives, managers, other business types. Of these, there is a greater percentage of chief executives on U.S. boards (6.8% versus 3.6%). The comparison of all occupational categories is as follows:

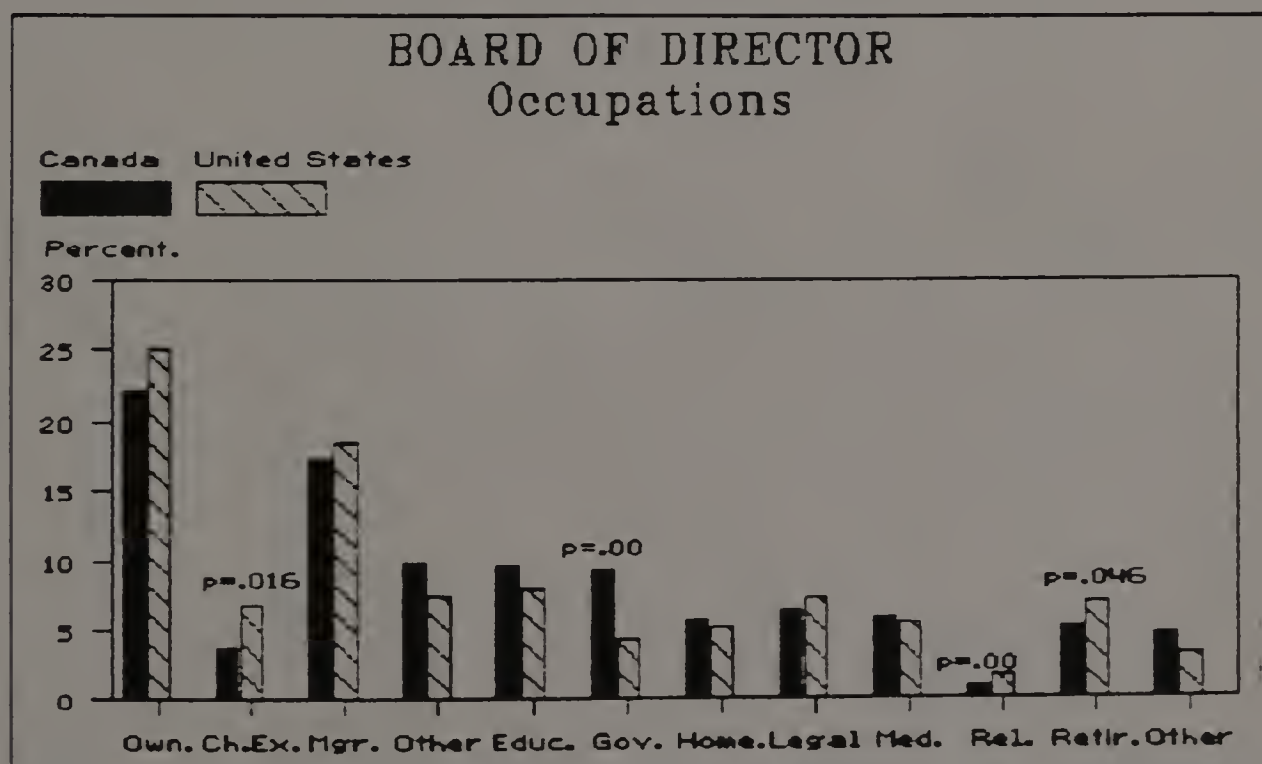


Fig.1 Comparison of board of director occupations.

Age and Gender

Based on the data displayed in Figures 2 and 3, Canadian boards are statistically different from U. S. boards with reference to age and gender characteristics. On the average, Canadian boards are younger and have less male representation (66% versus 78%).

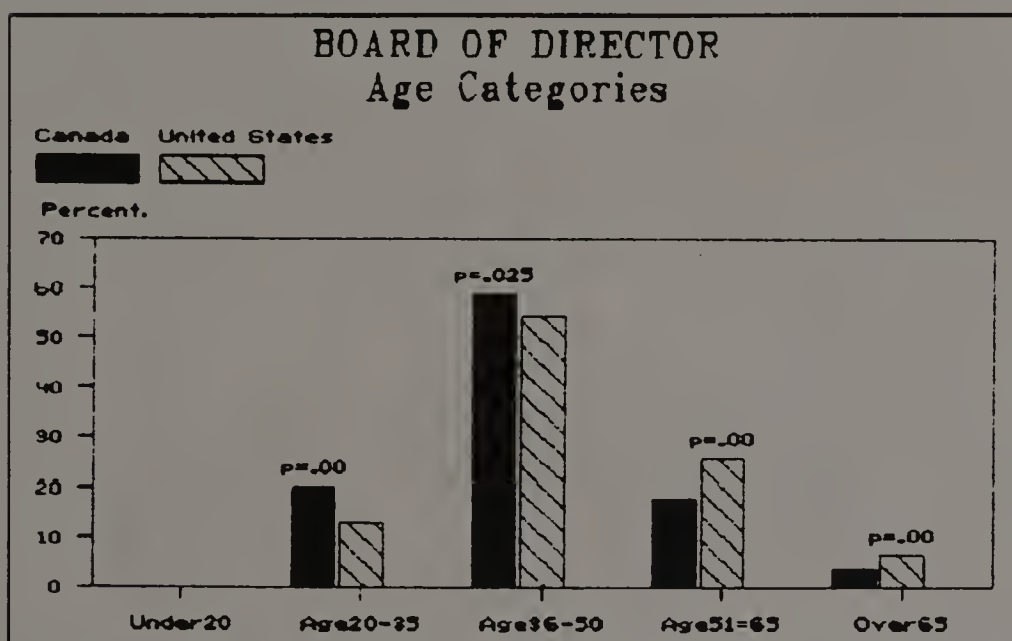


Fig.2 Comparison of board of director age groupings.

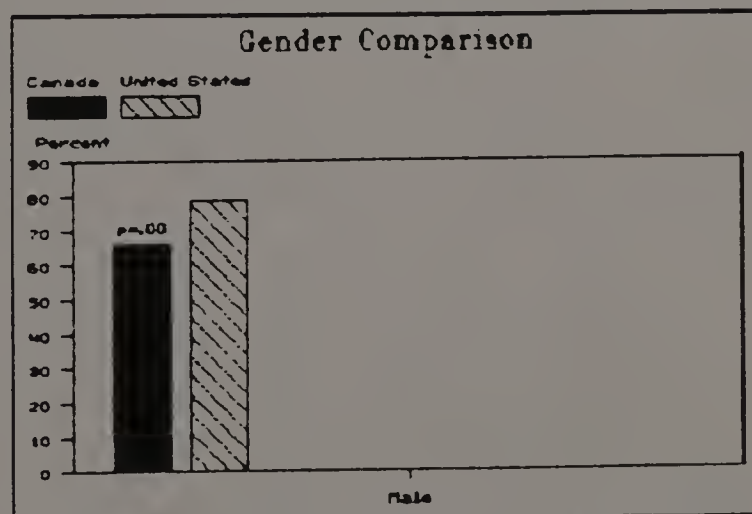


Fig.3 Percent of male board members.

Ethnicity

Boards in both countries are predominantly white (98% for Canada; 95.6% for the U.S.). In the U.S. black representation is higher; nonetheless, the percentage is small (3.6%). Representation by all other ethnic groups is very small in both countries as shown in Figure 4:

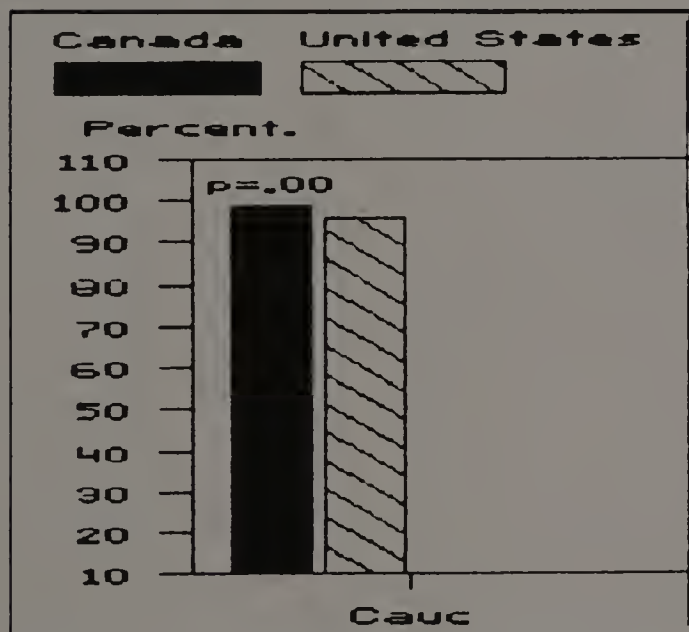
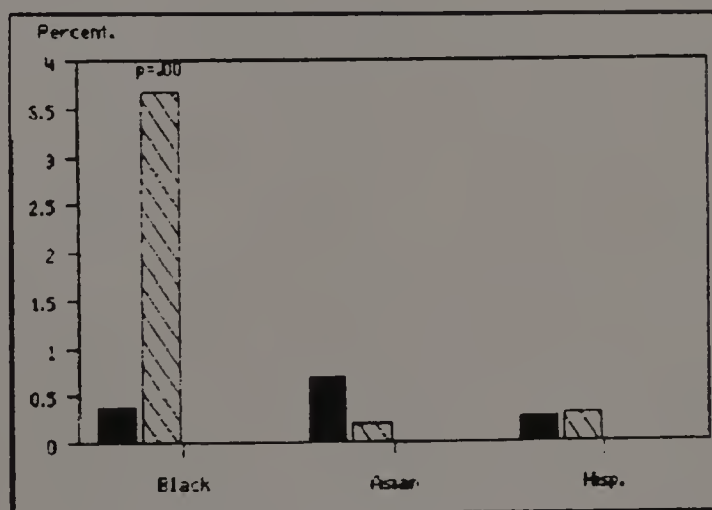


Fig.4 Board of Director Ethnic Categories



Other Characteristics

Boards in Canada have more directors who are members of the Y (70.7% versus 64% in the U.S.), and the average level of affluence is lower, as perceived by the chief executive. Regarding the two perceptual measures of involvement (fundraising and overall involvement), Canadian boards appear less active in fundraising. However, no statistical difference was found between countries in the overall involvement measure:

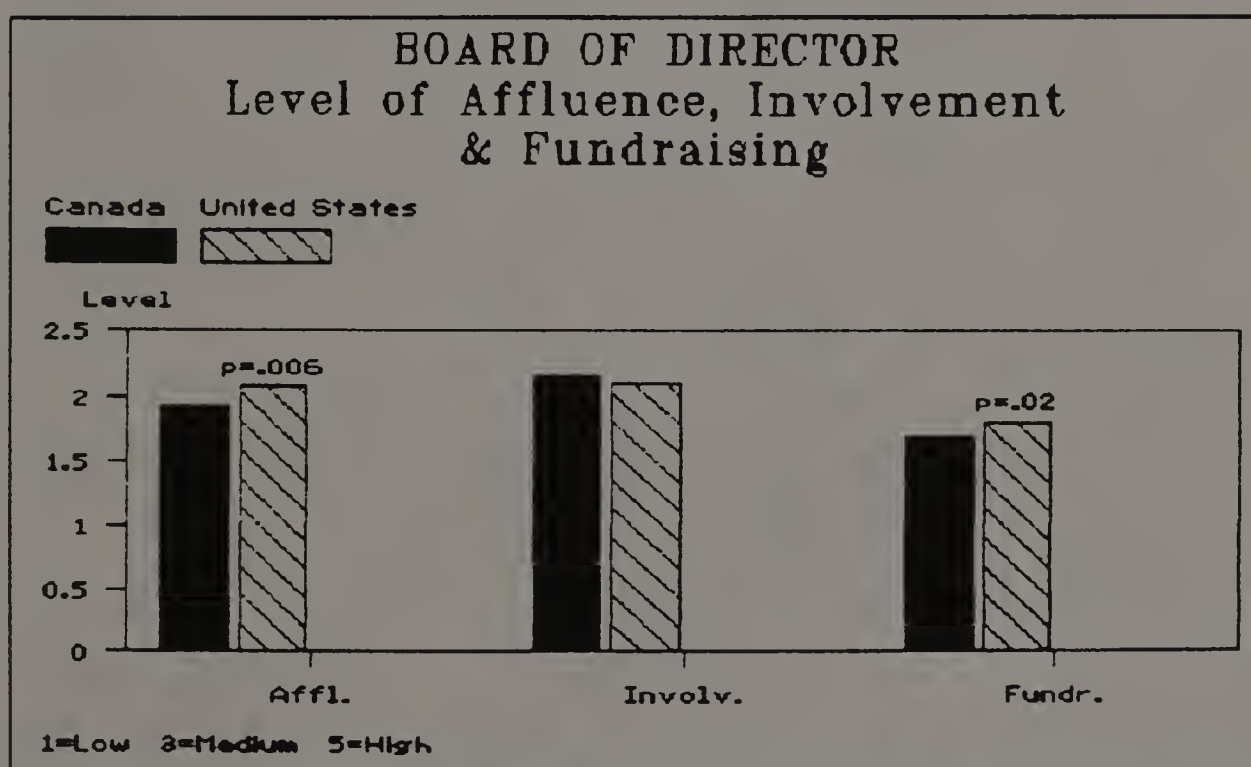


Fig.5 Board Affluence, Involvement and Level of Fundraising.

Individual Board Member Involvement

The discussion thus far has described background characteristics of board members. To extend the comparison further, these characteristics were cross tabulated against the perceived involvement of board members in the organization and in fundraising.

Occupation: Level of Involvement and Fundraising

As exhibited in Table 2 (Page 88), chief executives of Canadian Ys tended to rank a greater proportion of board members who were business owners, chief executives and homemakers as having higher involvement in the organization than other members. Half of the board members with religious backgrounds were ranked low in involvement. In the U.S., the distinction among occupations was not as evident, with most board members ranked in the medium involvement range regardless of occupation. Unlike the Canadian group, no specific occupations stood out as having especially high or low involvement in the organization.

Table 3 (Page 89) displays the same occupational categories and their relationship to the fundraising variable. In both Canada and the U.S., board members tended to be given low scores in fundraising, as perceived by the chief executive, regardless of occupation. One

TABLE 2

Crosstabulation of Involvement by Occupation
CANADA

INVOLVEMENT	-----BUSINESS-----					-----NONBUSINESS-----							Total
	Owner	Ch.Exec.	Mgr.	Other	Educ.	Govern.	Homemkr.	Legal	Medical	Relig.	Retired	Other	
LOW	43	2	48	39	28	30	15	17	17	5	10	20	
Row %	15.7	.7	17.5	14.2	10.2	10.9	5.5	6.2	6.2	1.8	3.6	7.3	
Col %	16.7	5.1	23.9	35.1	25.9	27.3	24.2	20.7	25.8	50.0	17.5	40.0	
MEDIUM	93	10	72	38	50	41	20	33	24	3	24	21	
Row %	21.7	2.3	16.8	8.9	11.7	9.6	4.7	7.7	5.6	.7	5.6	4.9	
Col %	36.2	25.6	35.8	34.2	46.3	37.3	32.3	40.2	36.4	30.0	42.1	42.0	
HIGH	121	27	81	34	30	39	27	32	25	2	23	9	
Row %	26.9	6.0	18.0	7.6	6.7	8.7	6.0	7.1	5.6	.4	5.1	2.0	
Col %	47.1	69.2	40.3	30.6	27.8	35.5	43.5	39.0	37.9	20.0	40.4	18.0	
Total	257	39	201	111	108	110	62	82	66	10	57	50	
	22.3	3.4	17.4	9.6	9.4	9.5	5.4	7.1	5.7	.9	4.9	4.3	

UNITED STATES

		-----BUSINESS-----					-----NONBUSINESS-----							
		Owner	Ch.Exec.	Mgr.	Other	Educ.	Govern.	Homemkr.	Legal	Medical	Relig.	Retired	Other	Total
LOW		293	80	252	130	109	72	64	84	87	23	77	53	1324
	Row %	22.1	6.0	19.0	9.8	8.2	5.4	4.8	6.3	6.6	1.7	5.8	4.0	23.9
	Col %	20.9	20.4	24.6	32.8	25.7	29.3	23.0	20.6	29.4	23.0	19.5	31.4	
MEDIUM		557	150	474	167	191	111	116	176	130	60	154	64	2350
	Row %	23.7	6.4	20.2	7.1	8.1	4.7	4.9	7.5	5.5	2.6	6.6	2.7	42.5
	Col %	39.6	38.3	46.2	42.2	45.0	45.1	41.7	43.1	43.9	60.0	39.1	37.9	
HIGH		555	162	300	99	124	63	98	148	79	17	163	52	1860
	Row %	29.8	8.7	16.1	5.3	6.7	3.4	5.3	8.0	4.2	.9	8.8	2.8	33.6
	Col %	39.5	41.3	29.2	25.0	29.2	25.6	35.3	36.3	26.7	17.0	41.4	30.8	
Total		1405	392	1026	396	424	246	278	408	296	100	394	169	5534
		25.4	7.1	18.5	7.2	7.7	4.4	5.0	7.4	5.3	1.8	7.1	3.1	100.0
	(p=.00)													

TABLE 3

Crosstabulation of Fundraising by Occupation
CANADA

FUNDRAISING	-----BUSINESS-----				-----NONBUSINESS-----								Total
	Owner	Ch.Exec.	Mgr.	Other	Educ.	Govern.	Homeokr.	Legal	Medical	Relig.	Retired	Other	
LOW	101	10	101	67	64	73	31	36	32	8	23	39	
Row %	17.3	1.7	17.3	11.5	10.9	12.5	5.3	6.2	5.5	1.4	3.9	6.7	
Col %	<u>40.2</u>	<u>25.6</u>	<u>51.0</u>	<u>60.9</u>	<u>61.0</u>	<u>67.6</u>	<u>50.8</u>	<u>43.9</u>	<u>48.5</u>	<u>80.0</u>	<u>40.4</u>	<u>78.0</u>	
MEDIUM	76	8	57	29	33	24	13	33	23	2	17	7	
Row %	23.6	2.5	17.7	9.0	10.2	7.5	4.0	10.2	7.1	.6	5.3	2.2	
Col %	30.3	20.5	28.8	26.4	31.4	22.2	21.3	40.2	34.8	20.0	29.8	14.0	
HIGH	74	21	40	14	8	11	17	13	11		17	4	
Row %	32.2	9.1	17.4	6.1	3.5	4.8	7.4	5.7	4.8		7.4	1.7	
Col %	29.5	<u>53.8</u>	20.2	12.7	7.6	10.2	27.9	15.9	16.7		29.8	8.0	
Total	251	39	198	110	105	108	61	82	66	10	57	50	
	22.1	3.4	17.4	9.7	9.2	9.5	5.4	7.2	5.8	.9	5.0	4.4	

UNITED STATES

-----BUSINESS-----					-----NONBUSINESS-----							Total
Owner	Ch.Exec.	Mgr.	Other	Educ.	Govern.	Homeokr.	Legal	Medical	Relig.	Retired	Other	Total
LOW												
476	120	441	206	229	135	120	172	135	64	146	91	2335
Row %	20.4	5.1	8.8	9.8	5.8	5.1	7.4	5.8	2.7	6.3	3.9	42.4
Col %	34.1	30.6	43.0	52.0	54.7	43.8	42.5	46.2	64.0	37.1	55.2	
MEDIUM												
493	129	386	124	130	76	88	148	102	27	117	44	1864
Row %	26.4	6.9	6.7	7.0	4.1	4.7	7.9	5.5	1.4	6.3	2.4	33.9
Col %	35.4	32.9	31.3	31.0	30.8	32.1	36.5	34.9	27.0	29.7	26.7	
HIGH												
425	143	198	66	61	36	66	85	55	9	131	30	1305
Row %	32.6	11.0	5.1	4.7	2.8	5.1	6.5	4.2	.7	10.0	2.3	23.7
Col %	30.5	36.5	16.7	14.5	14.6	24.1	21.0	18.8	9.0	33.2	18.2	
Total												
1394	392	1025	396	420	247	274	405	292	100	394	165	5504
25.3	7.1	18.6	7.2	7.6	4.5	5.0	7.4	5.3	1.8	7.2	3.0	100.0

(p=.00)

exception was found in Canada, where over 50% of the board members in the chief executive category were perceived as being very involved in fundraising. All other occupational categories were given low scores. In the U.S. no group stood out as being strong in fundraising. Most groups were either categorized as low in their involvement in fundraising or were evenly split between the high, medium and low scales.

Gender: Level of Involvement and Fundraising

Involvement and fundraising by gender is tabulated in Table 4 (Page 91). In Canadian Ys, male board members were ranked higher in involvement than female directors, whereas in the U.S., gender differences were not evident. With reference to fundraising, men and women were given low scores, with a higher percentage of women falling in the low category.

TABLE 4

Level of Involvement and Fundraising by Gender

CANADA

INVOLVEMENT	Male Female Total			FUNDRAISING	Male Female Total		
LOW	172	102	274	LOW	359	226	585
Row %	62.8	37.2	23.8		61.4	38.6	51.5
Col %	22.4	26.6			47.4	59.6	
MED	272	153	425	MED	232	88	320
Row %	64.0	36.0	36.9		72.5	27.5	28.2
Col %	35.5	39.8			30.6	23.2	
HIGH	323	129	452	HIGH	166	65	231
Row %	71.5	28.5	39.3		71.9	28.1	20.3
Col %	42.1	33.6			21.9	17.2	
Total	767	384	1151		757	379	1136
	66.6	33.4	100.0		66.6	33.4	100.0

UNITED STATES

INVOLVEMENT	Male Female Total			FUNDRAISING	Male Female Total		
LOW	1033	289	1323	LOW	1800	533	2333
Row %	78.1	21.9	23.9		77.2	22.8	42.4
Col %	23.7	24.8			41.4	46.3	
MED	1845	498	2343	MED	1464	398	1862
Row %	78.7	21.3	42.4		78.6	21.4	33.9
Col %	42.3	42.7			33.7	34.5	
HIGH	1486	378	1864	HIGH	1083	221	1304
Row %	79.7	20.3	33.7		83.1	16.9	23.7
Col %	34.1	32.4			21.9	17.2	
Total	4364	1165	5529		4347	1152	5499
	78.9	21.1	100.0		79.1	20.9	100.0

p=.00

Program Participants: Level of Involvement and Fundraising

Table 5 (Page 93) details the involvement rankings of board members who were YMCA program participants. In both Canada and the U.S. board members who were program participants tended to be perceived as being more involved in governing the organization. With regard to fundraising, board members on the average were ranked low. However, program participants tended to get higher rankings than non-participants.

Age Categories: Level of Involvement and Fundraising

Crosstabulation of involvement by age group yielded no significant difference in Canada, while U.S. boards had higher overall involvement exhibited by the over 65 year old group. With reference to fundraising, all groups under 65 years of age in both countries had a large proportion of the members ranked low. The over 65 groups had more even distributions in their fundraising scores, as Table 6 shows (Page 94).

TABLE 5

Level of Involvement and Fundraising
by Program Participants

CANADA

INVOLVEMENT	PARTICIPATION			FUNDRAISING	PARTICIPATION		
	No	Yes	Total		No	Yes	Total
LOW	113	161	274	LOW	208	377	585
Row %	41.2	58.8	23.7		35.6	64.4	51.4
Col %	<u>33.6</u>	19.7			<u>63.4</u>	<u>46.5</u>	
MED	131	298	429	MED	73	250	323
Row %	30.5	69.5	37.1		22.6	77.4	28.4
Col %	39.0	36.4			22.3	30.8	
HIGH	92	360	452	HIGH	47	184	231
Row %	20.4	79.6	39.1		20.3	79.7	20.3
Col %	27.4	<u>44.0</u>			14.3	22.7	
Total	336	819	1155		328	811	1139
	29.1	70.9	100.0		28.8	71.2	100.0

UNITED STATES

INVOLVEMENT	PARTICIPATION			FUNDRAISING	PARTICIPATION		
	No	Yes	Total		No	Yes	Total
LOW	652	664	1316	LOW	974	1357	2331
Row %	49.5	50.5	23.9		41.8	58.2	42.5
Col %	<u>33.2</u>	18.8			<u>49.6</u>	38.5	
MED	821	1513	2334	MED	611	1248	1859
Row %	35.2	64.8	42.4		32.9	67.1	33.9
Col %	41.8	42.8			31.1	35.4	
HIGH	491	1362	1853	HIGH	379	918	1297
Row %	26.5	73.5	33.7		29.2	70.8	23.6
Col %	25.0	38.5			19.3	26.1	
Total	1964	3539	5503		1964	3523	5487
	35.7	64.3	100.0		35.8	64.2	100.0

p=.00

Level of Involvement and Fundraising by Age Group

CANADA

 $(p = n/s)$ $(p = n/s)$

UNITED STATES

($p=.00$)

Affluence: Level of Involvement and Fundraising

The last comparison examines the relationship among levels of board member affluence in the community as perceived by the Y chief executive and the two involvement rankings (Table 7, Page 96). In both the U.S. and Canada, the affluence of board members corresponded to their overall involvement ranking. Members low in affluence tended to get low involvement rankings; those with medium affluence got medium scores, etc. With reference to fundraising, the pattern repeated itself for those considered low and high in affluence.

TABLE 7

Level of Involvement and Fundraising According to Board Member Affluence

CANADA

INVOLVEMENT	AFFLUENCE				FUNDRAISING	AFFLUENCE			
	Low	Medium	High	Total		Low	Medium	High	Total
LOW	141	96	37	274	LOW	228	282	76	586
Row %	51.5	35.0	13.5	23.7		38.9	48.1	13.0	51.5
Col %	<u>42.3</u>	17.8	13.2			<u>69.5</u>	<u>52.9</u>	27.4	
MED	119	236	74	429	MED	69	182	71	322
Row %	27.7	55.0	17.2	37.2		21.4	56.5	22.0	28.3
Col %	35.7	<u>43.7</u>	26.3			21.0	34.1	25.6	
HIGH	73	208	170	451	HIGH	31	69	130	230
Row %	16.2	46.1	37.7	39.1		13.5	30.0	56.5	20.2
Col %	21.9	38.5	<u>60.5</u>			9.5	12.9	<u>46.9</u>	
Total	333	540	281	1154		328	533	277	1138
	28.9	46.8	24.4	100.0		28.8	46.8	24.3	100.0

(p=.00)

UNITED STATES

INVOLVEMENT	AFFLUENCE				FUNDRAISING	AFFLUENCE			
	Low	Medium	High	Total		Low	Medium	High	Total
LOW	623	491	206	1320	LOW	942	996	386	2324
Row %	47.2	37.2	15.6	24.0		40.5	42.9	16.6	42.4
Col %	<u>43.3</u>	19.7	12.0			<u>73.0</u>	40.0	22.7	
MED	468	1323	537	2328	MED	253	1119	490	1862
Row %	20.1	56.8	23.1	42.4		13.6	60.1	26.3	34.0
Col %	36.3	<u>53.1</u>	31.4			19.6	<u>44.9</u>	28.8	
HIGH	198	677	969	1844	HIGH	95	375	823	1293
Row %	10.7	36.7	52.5	33.6		7.3	29.0	63.7	23.6
Col %	15.4	27.2	<u>56.6</u>			7.4	15.1	<u>48.4</u>	
Total	1289	2491	1712	5492		1290	2490	1699	5479
	23.5	45.4	31.2	100.0		23.5	45.4	31.0	100.0

(p=.00)

Summary

The following tabulations summarize data pertaining to individual board member characteristics:

Significant Differences in Board Member Characteristics

	<u>Canada</u>	<u>U.S.</u>
Board size	19	23
% Business people	52.8%	58%
Age (% under 50 yrs)	77%	66%
Gender (% males)	66%	78%
% Program partic.	70.7%	64%
% Above-ave. affluence	24%	31%

Statistically Significant Background Variables Associated with Overall Involvement and Fundraising

-----CANADA-----		
	<u>Overall Involvement</u>	<u>Fundraising</u>
Occupation		
Business Owners	High	Low
Chief Executives	High	High
Homemakers	High	Low
Religious Profession	Low	Low
Gender		
Males	High	Low
Females	Low	Low*
Program Participants	High	Low**
Affluence	Affluence levels correspond to involvement rankings.	
-----UNITED STATES-----		
Age		
Over 65 group	High	Low
Program Participants	High	Low**
Affluence	Affluence levels correspond to involvement rankings.	

*59.6% of females were ranked low versus 47.4% of males.

**In Canada, 63.4% of the non-program participants were ranked low in fundraising efforts versus 46.5% for program participants. U.S. percentages were 49.6% and 38.5% respectively.

This section described board member characteristics and their association with involvement rankings by the chief executive. One very important observation can be made on the basis of this data. Representation seems to be at the expense of involvement. Canadian boards appear to be more representative of various constituents, namely women and the less affluent community members. The YMCA has a reputation of being predominantly male-oriented, with more affluent community people serving on the board. According to national officials in the U.S. and Canada, this image needs to be changed and more representative board members are being sought. From the comparative data, however, it appears that representation may be at the expense of involvement, since these board members were perceived to be less involved, on average.

Aggregate Organizational and Board Statistics

Strategic Management Formality

By means of the questionnaire, chief executives at each YMCA indicated the level of formality of seven activities which represented the strategic management process. These items are similar to ones identified in other nonprofit organizations (Crittenden et al., 1988) and

were verified by YMCA national officials as representing the key ingredients of the strategic management process. The seven items were averaged for each organization to represent the strategic management variable in this study (FSP).

Coefficient Alpha, which indicates the proportion of true to obtained score variance (Gold, 1984) was computed for the seven-item composite for Canada and the U.S. The computed alphas were .80 for Canada and .79 for the U.S.; these compare favorably to reliability scores of .70 suggested by Nunnally (1978) and to those found in the literature (e.g., Fredrickson, 1984; Mitchell, 1985).

The Canadian organizations had equal to or greater formality in all strategic management variables, with significant differences found in four categories on the basis of ANOVA⁴. The distinction between the groups was that Canadians on the average developed mission statements unique to their organizations, versus adopting the national association's mission statement. They were more inclined to formally analyze competition and develop formal plans of action. These differences carried through to the overall strategic management variable with Canadian operations having a more formal process on average.

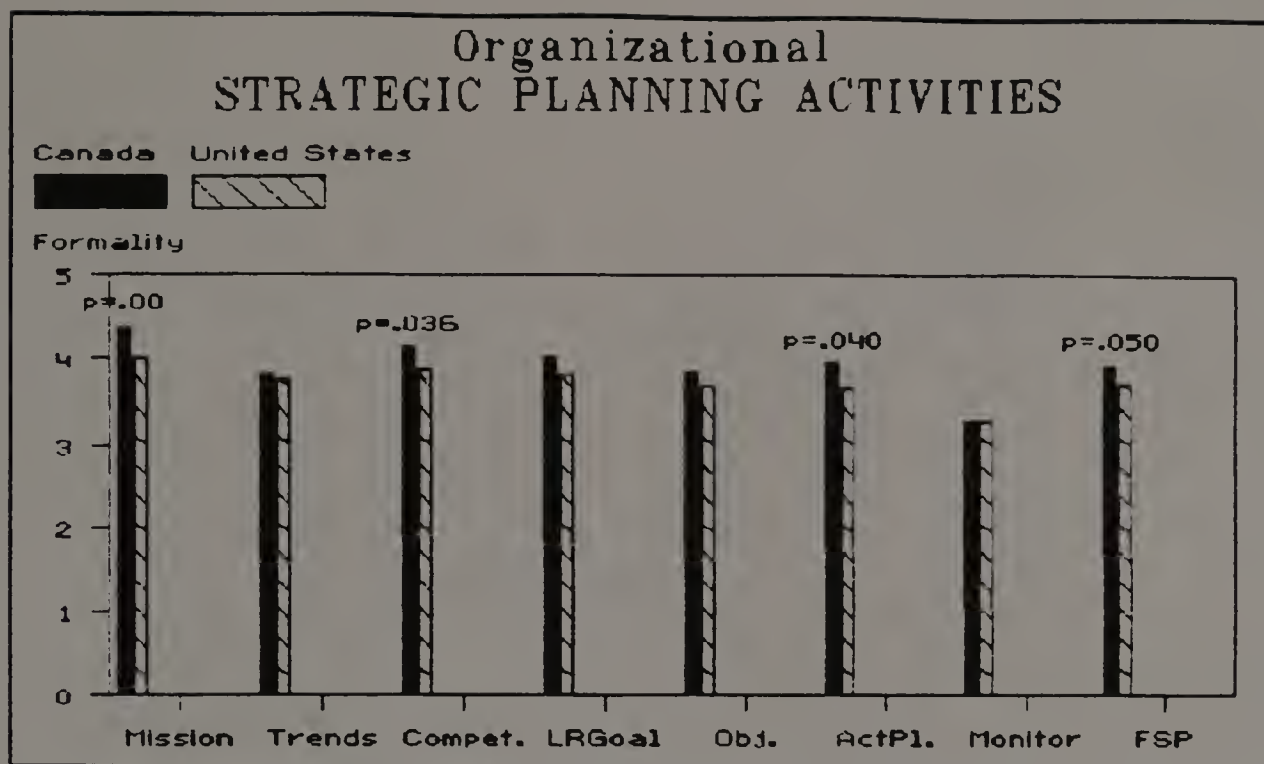


Fig.6 Organizational Formal Strategic Planning Activities.

Board Activities

Board activities constituted another group of questions answered on the survey by the YMCA chief executive. Three types of activities were included: strategic management responsibilities, administrative duties and fundraising.

Board Involvement in Strategic Management

Overall, the board's perceived involvement in strategic management was similar in both groups:

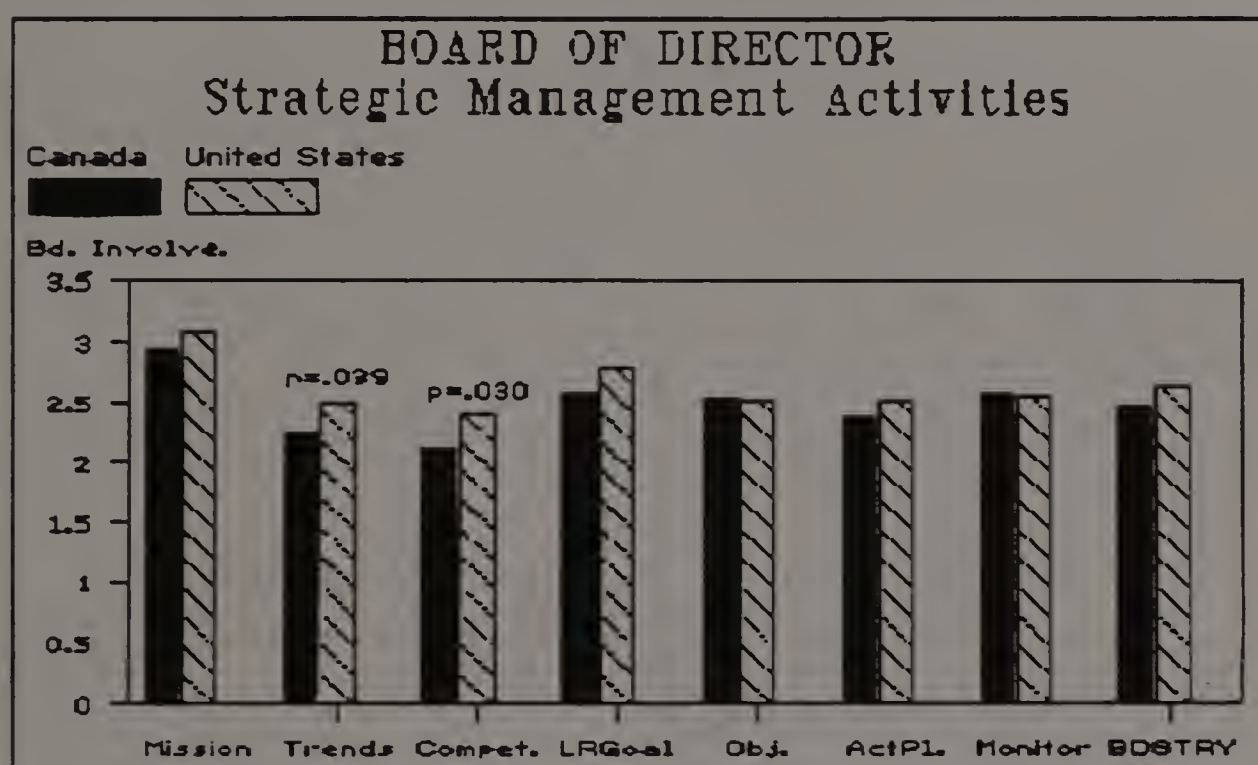


Fig.7 Board Strategic Management Activities

On the average, the boards' role in strategic management ranged from an approval of staff actions (value of 2 on the scale) to equal involvement with the staff (value of 3). Although aggregate board involvement in strategy was similar, two areas differed. In the analyses of trends and competition, Canadian operations relied more on staff developing the analyses and boards approving them. In the U.S., the responsibility was shared equally by

boards and staffs. These differences resulted in the overall measure of board involvement in strategy (BDSTRY) being slightly greater in U.S. operations.

Coefficient Alpha was computed for the BDSTRY variable; and the alphas were .69 for Canada and .72 for the U.S.

Board Involvement in Administration

The most significant difference between Canadian and U.S. board activities was found in the boards' involvement in administrative duties:

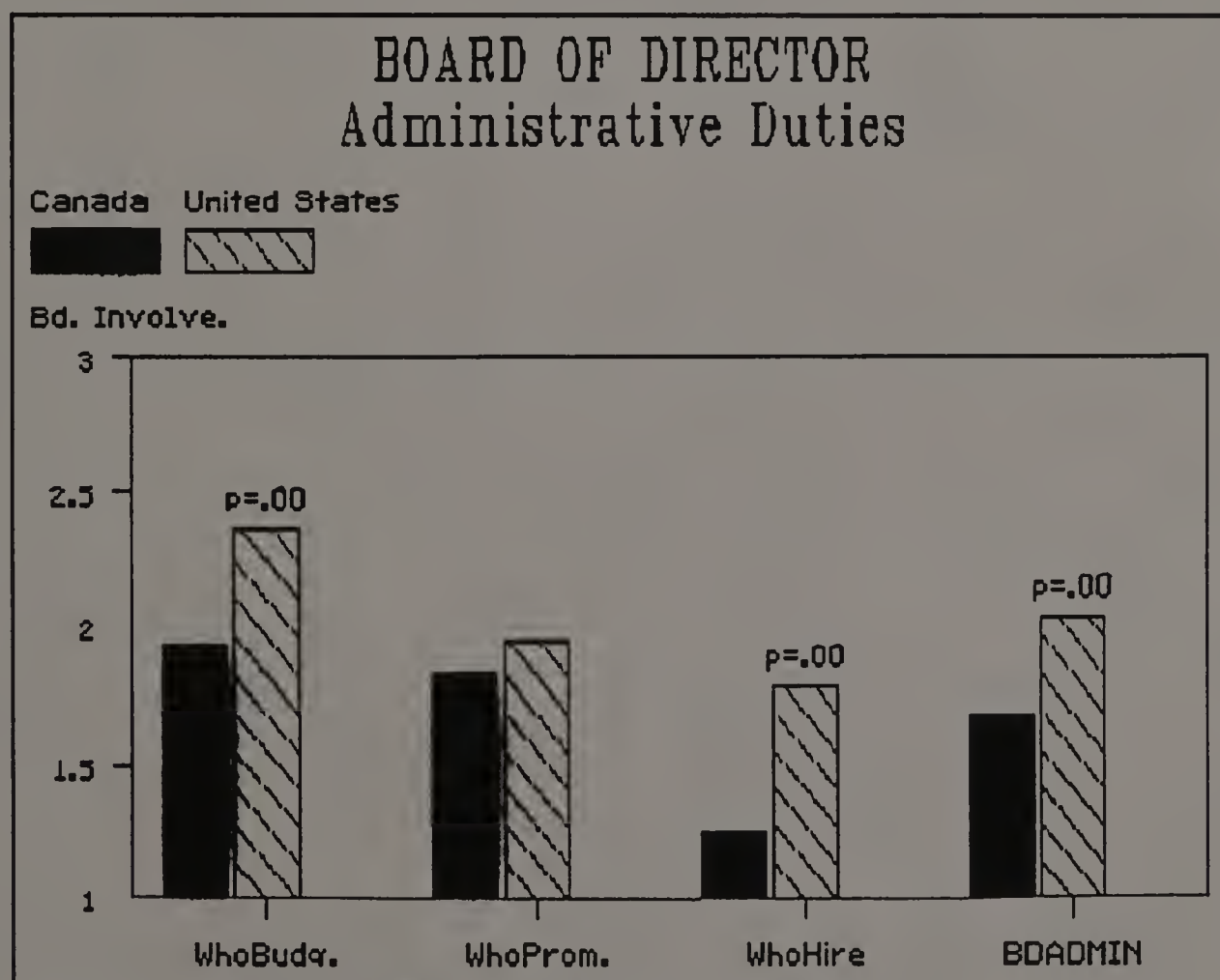


Fig.8 Board Administrative Duties

On the whole, boards in the U.S. were more involved in budgeting and hiring activities than Canadian boards.

The three activities (budgeting, hiring and promotion) were averaged to yield a composite variable, BDADMIN. Coefficient Alpha for Canada was .51 and .57 for the U.S.

Board Involvement in Fundraising

Boards in both Canada and the U.S. on the average were ranked by the YMCA chief executive to be somewhat effective in their fundraising efforts, with no statistical difference between the groups.

Further support for this measure was found when a second score was developed from the questionnaire. As mentioned earlier in this chapter, the last page of the survey asked chief executives to rank each board member as to his/her involvement in fundraising. An aggregate board score was then developed for each organization. The Spearman correlation coefficient for these two measures of fundraising (the overall effectiveness score and the aggregate of individual involvement scores) was .45 ($p=.000$) for the U.S. group and .34 ($p=.004$) for Canada.

Summary

Formal Planning	Canadian organizations were more likely to develop unique mission statements, formally analyze competition and develop more formal plans of action.
-----------------	---

Board Planning Activities	No difference in the board's involvement except concerning the analyses of trends and competition. Canadian boards relied on staff to develop the analyses, and the board approved them. U.S. boards shared these activities with the staff.
Board Administrative Duties	U.S. boards more involved in administrative duties, especially budgeting and hiring.
Fundraising	Both U.S. and Canadian boards received rankings of "somewhat effective" in their fundraising efforts.

Board Chairpersons' Perception of Organizational and Board Activities

Thus far, the discussion pertaining to organizational and board activities has been based on the responses of YMCA chief executives. To validate the information from another perspective, a group of board chairpersons completed the parts of the questionnaire pertaining to these activities.

A subsample of 50 U.S. YMCA board chairpersons was randomly chosen to receive the shortened survey. A total of 31 questionnaires (62%) was returned.

Board Chairperson versus Chief Executive Responses

The responses were compared using paired-comparison t-tests, and the following results were obtained:

Formal Planning	The organization's level of strategic management formality was agreed on by both raters. This agreement extended to all seven aspects of the planning process.
-----------------	--

Board Planning Activities	Both groups of respondents agreed on the level of involvement in the planning process, except for one area. In the development of objectives, board chairpersons gave more weight to the board's involvement than the chief executives did.
Board Administrative Duties	No agreement regarding the board's role in administrative duties was found. Board chairpersons perceived the board to be more involved in budgeting, promotion and hiring than did the chief executives.
Fundraising	Both board chairpersons and chief executives rated their boards as being somewhat effective in the fundraising effort.

Summary

Board chairperson perceptions and chief executive views regarding the level of formal planning in the organization and certain board activities appear to be similar in all areas except the board's involvement in administrative duties.

Since the staff has responsibility for administrative duties, it was suggested by the U.S. regional official that the chief executives' responses were probably more accurate. Nonetheless, the fact that the board chairpersons saw their groups more involved in all three of the administrative functions is interesting.

Because of the discrepancy and the somewhat lower Coefficient Alpha that was calculated for the composite

variable, the construct of board involvement in administrative activities (BDADMIN) should be interpreted with caution.

A complete listing of responses and t values is shown in Table 8 (Page 107).

Performance Variables

Three types of performance measures were calculated for organizations in the U.S. and Canada. They included a) two financial ratios, b) an indicator of the YMCAs image in the community and among constituents, and c) a social performance measure.

Financial Ratios

Guided by the Canadian organization's development of key financial ratios, two measures were considered reliable for operations in both countries: productivity and operating efficiency. However before performance is reviewed on the basis of ratio analysis, the use of these measures needs clarification.

Although the ratio results have been described as a comparison between the two countries, interpretations

TABLE 8

Board Chairperson versus Chief Executive Responses

Variable	-----MEAN-----		-----STD. DEV.-----		T Value	Prob.
	Bd.Chair	Ch.Exec.	Bd.Chair	Ch.Exec.		
Mission	4.14	4.22	.85	.84	.43	.66
Trends	3.90	3.77	.20	.21	-.53	.60
Compet.Anal.	3.96	3.82	.81	1.06	.56	.58
LRGoal	4.16	4.05	1.24	1.12	-.45	.65
Obj	4.24	3.88	.72	1.02	-1.70	.10
ActPlan	4.16	3.93	.92	.74	-1.26	.21
Monitor	3.60	3.50	1.05	1.09	-.37	.71
FSP	4.03	3.88	.67	.60	-1.12	.27
WhoMiss	3.20	3.38	.92	.77	.91	.37
WhoTren	2.75	2.70	.92	.78	-.24	.81
WhoComp.	2.71	2.38	.79	1.00	-1.32	.19
WhoGoal	3.26	2.96	1.09	.87	-1.28	.21
WhoObj	3.08	2.56	.82	.62	-3.39	.00
WhoPlan	2.88	2.68	1.18	.74	-.76	.45
WhoMon	2.98	2.81	1.12	.99	-.54	.59
BDSTRY	2.98	2.79	.61	.47	-1.46	.15
WhoBudg	2.64	2.35	.82	.64	-1.79	.08
WhoProm	2.59	1.96	.72	.60	-4.35	.00
WhoHire	2.09	1.80	.74	.70	-1.76	.08
BDADMIN	2.44	2.00	.56	.53	-3.29	.00
BDFUND	3.23	3.15	1.02	.93	-.40	.69
PROJUDG	3.74	3.61	.69	.72	-.67	.51
WhoJudg	3.10	2.61	.59	.65	-3.43	.00

should be made with caution. On the surface, the concept of revenues and expenses is the same in the U.S. and Canada; however, differences in economic factors, tax systems, government support and cultural influences make simple comparisons problematic. For example, cultural differences might account for Canadian organizations offering services at a lesser rate because of greater government support of nonprofit organizations. Also, basic differences in the staff's approach to members may exist. In the U.S., a YMCA might close at 8:00 p.m. due to a drop in member usage after that period. A Canadian Y might keep the doors open until 11:00 p.m. because even a few members still want access to the facilities. These differences do not surface in the simple ratio comparisons; and it is in comparative analysis where interpretations should be made with caution.

Productivity

Productivity, total revenue over salaries and benefits, is a measure of the utilization of staff resources in the organization. The Canadian organization, which instituted a management ratio project in 1985, has identified a target of 1.90 for productivity. Based on 1988 data, the Canadian group averaged 1.8 (standard deviation .65). The U.S. group had a statistically higher

average of 2.1 (standard deviation .82), controlling for inequality of the two variances.

Operating Efficiency

The second financial ratio for this project was operating efficiency, which is total revenues to total expenses. It is a measure of net income and indicates those associations which are in deficit for the year (ratio of less than 1.00). The average ratios were statistically different between the Canadian group (.98, std.dev. .079) and the U.S. group (1.02, std.dev. .128), controlling for variance differences.

Indicator of Image

To supplement the financial ratios, percent of sustaining revenue was calculated as an indicator of the organization's image in the community and among constituents. This ratio is the relationship between funds raised in yearly campaigns (sustaining revenue) to total revenue.

Interpretations varied as to a targeted percentage; however, five percent was suggested by several executives. Canadian organizations differed from U.S. operations, although neither group approached the five percent mark.

The Canadian Ys averaged .79% (.017 std. dev.) compared to 2.0% for the U.S. (.029 std. dev.).

Officials in both countries acknowledged the important underlying implications of sustaining revenue (community image, etc.), and both groups indicated that increased emphasis needed to be placed on this aspect of revenue generation. According to Canadian officials, this source of revenue has been downplayed in the past. Government support of nonprofits overshadowed local fundraising efforts. On the other hand, U.S. organizations have focused on marketing techniques to increase revenue. For example, raising fees and adding new fee-for-service programs have traditionally been favored over soliciting donations.

Social Performance

The last measure represented how programs were perceived to be judged in each organization. According to national officials, this score should provide a fairly good indication of an organization's "social performance." This item was included in the survey to chief executives and also was included in the survey mailed to the sample of board chairpersons.

Both Canadian and U.S. executives, on the average, indicated a slight emphasis towards judging programs based

on social considerations with no statistical difference between the groups. In the subsample comparing 31 board chairpersons and chief executives, there was no statistical difference in their perceptions of the way programs were judged, with both groups of respondents reporting a slight emphasis towards social considerations.

Another Measure of Social Performance

A second measure of social performance was developed for all U.S. organizations. It involved subjective rankings by YMCA consultants.

The topic of social purpose is a critical one for all commercial nonprofits. In the U.S., state and federal tax exemption is granted on the basis of organizational purpose. In Canada, social agencies receive direct government funding as well as tax exemption. For political reasons, many executives might be hesitant to admit the organization's emphasis towards financial stability at the expense of social purpose, thereby causing the measure to be biased towards social performance activity.

YMCA officials from the national office were asked to subjectively define the level of social performance exhibited by each organization. Canadian officials declined to provide such a ranking; however, consultants for the U.S. organization rated each Y from 1 to 5 as to

their commitment to a social mission. The correlation between the chief executive's perception of how programs were judged and the consultants wider scope of an organization's concern with social mission was .22 (p=.000). The chief executive's response was used for this project, since it was available for both groups; however, analyses were computed for U.S. organizations based on the consultant ratings and are reported in Appendix B.

Social Purpose versus Financial Stability

During the 1980s, many organizations in the U.S. concentrated on improving their financial health at the expense of their social purpose. To determine whether an association among the performance variables existed in this data set, Pearson correlations were run:

	----UNITED STATES-----			-----CANADA-----		
	<u>Prdcty.</u>	<u>Eff.</u>	<u>Revenue</u>	<u>Prdcty.</u>	<u>Eff.</u>	<u>Revenue</u>
Basis for Judging Programs	.0496	.0440	-.0472	-.0617	.0708	.0128

No relationships above the significance level of .10 were found. It appears no association exists between financial stability and social performance, as perceived by the chief executive. Also, how programs are judged is not associated with organizational size (revenue).

Although no significant correlations were revealed for this cross-sectional data, the association may be a lagged one. The concern for social agency status is a relatively new one for U.S. organizations, and the effects of this recent focus may not yet have surfaced.

Summary

The only measure where U.S. and Canadian organizations performed similarly is in the way programs were judged. Regarding the financial ratios, on the surface, Canadian organizations seem to have lower average productivity and efficiency than their U.S. counterparts. However, these results are based on numerical calculations, which do not reveal differences that may be causing the variations. Lastly, in the U.S., where government support of nonprofits is less than in Canada, yearly donations are a larger percentage of U.S. YMCA revenues.

The following shows calculations of means, medians and modes for the measures that represent performance in this project:

Performance Measures

	-----CANADA-----			---UNITED STATES---		
	<u>Mean</u>	<u>Median</u>	<u>Mode</u>	<u>Mean</u>	<u>Median</u>	<u>Mode</u>
Productivity	1.829	1.70	1.307	2.016	1.878	1.253
Oper. Effic.	.979	1.00	1.00	1.018	1.001	1.000
Sustain. Rev.	.008	.00	.00	.020	.011	.00
Basis for						
Judging Prog.	3.40	3.00	3.00	3.517	3.50	3.00

Comparison of means between U.S. and Canadian groups revealed significant differences in productivity ($p=.019$), operating efficiency ($P=.004$), percent sustaining revenue ($p=.000$). No difference existed in the basis for judging programs ($p=.241$).

Hypotheses Testing

The purpose of this study was to specify and test an integrative model of relationships among board of director variables and organizational performance. Path modelling was chosen because it is a multivariate technique that reveals direct, indirect and spurious effects among a group of variables. The path diagram for this project is shown in Figure 9 (Page 115).

The "paths" (p 's) are designated by coefficients, which are standardized regression coefficients obtained from regression analysis.

Regression results are reported in Table 10 (Page 116). This table also reports the percentage of variance accounted for in each model. The models of formal

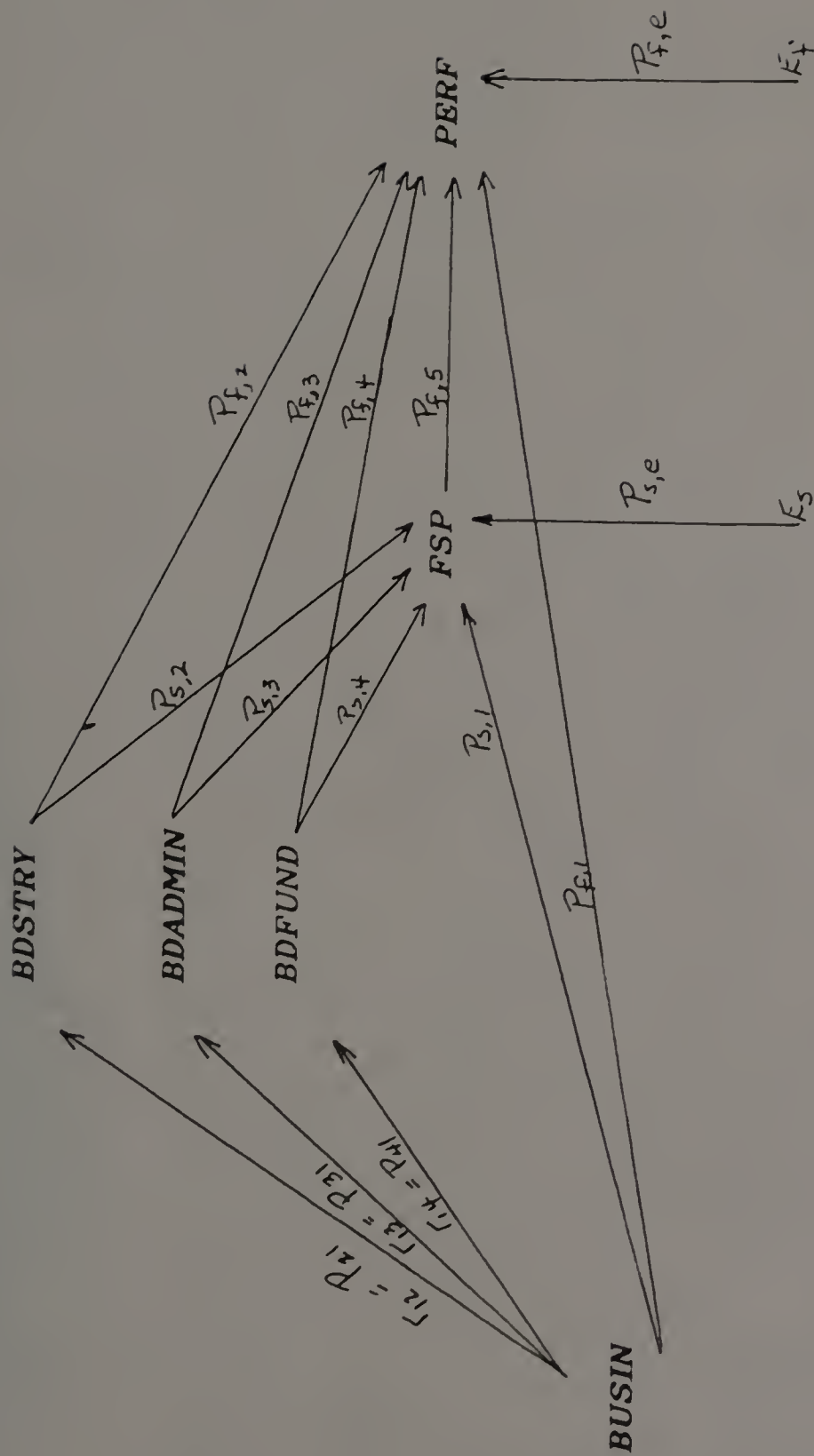


Fig. 9 Path Model and Equation Formulas

Regression Equations:

$$FSP = P_{s,1}BUSIN + P_{s,2}BDSTRY + P_{s,3}BDADMIN + P_{s,4}BDFUND + P_{s,e}E_s \quad (1)$$

$$PERF = P_{f,1}BUSIN + P_{f,2}BDSTRY + P_{f,3}BDADMIN + P_{f,4}BDFUND + P_{f,5}FSP + P_{f,e}E_f \quad (2)$$

$$P_{s,e} = \sqrt{1-R^2_4} \quad R^2_4 = R^2 \text{ or percentage of variance explained in (1).}$$

$$P_{f,e} = \sqrt{1-R^2_5} \quad R^2_5 = R^2 \text{ or percentage of variance explained in (2).}$$

TABLE 10

Regression Equation Results

UNITED STATES							
-----Independent Variable-----							
Dependent Variable	BUSIN	BDSTRY	BDADMIN	BDFUND	REV [†]	FSP	R ²
Planning Formality (FSP)	.0019	.4941**	-.2503**	.1771**	.2506**	-	.35**
Productivity (PRDCTY)	-.1327**	.0865	.0834	-.1272*	-.0353	.0000	.02*
Operating Efficiency (OPEFF)	-.1039	.0613	.0239	-.0436	-.0304	.0317	-.007
Percent Sustaining Revenue (PERSUS)	-.0220	-.1347*	-.1349*	.2448**	.0716	-.0525	.05**
Basis for Judging Programs (PROJUDG)	-.0890	.1125	.0487	-.0902	-.1080	.2793**	.09**
CANADA							
Planning Formality (FSP)	.1006**	.6575**	-.2844**	.0049	.1428	-	.48**
Productivity (PRDCTY)	.1036	.1172	.0727	-.1636	.0727	-.3807*	.03
Operating Efficiency (OPEFF)	-.1773	.3519**	.1752	-.3131**	.1749	-.2352	.19**
Percent Sustaining Revenue (PERSUS)	.0063	.2981*	-.2838**	.4307**	-.0424	-.4599**	.21**
Basis for Judging Programs (PROJUDG)	-.0159	.2948**	.1310	.1607	.0249	-.1841	.01

** p ≤ .05

* p ≤ .10

[†] 1988 Revenue (size variable)

strategic planning in both the U.S. and Canada fit the data quite well, with R^2 of .35 and .48 respectively. The data backed the models of efficiency and sustaining revenue performance in Canada; while the productivity, sustaining revenue and social performance models were given some support by the data in the U.S.

Since the path coefficients were estimated from the regression framework, checks for possible multicollinearity were necessary. Asher (1983) suggests that correlations between independent variables of .7 or .8 should cause concern. Table 11 (Page 118) lists bivariate correlations for all independent and dependent variables in the study. No correlations approached this level for either Canadian or U.S. data.

Path Analysis Results

Within each group (U.S. and Canada), regression equations were fitted to the data to estimate the path coefficients for each of the organizational outcomes, which included the level of planning in the organization and the four performance measures. Based on the coefficients, direct, indirect, spurious and total effects were calculated.

TABLE 11

Pearson Correlation Coefficients

UNITED STATES									
	BUSIN	BDSTRY	BDADMIN	BDFUND	FSP	PRDCTY	OPEFF	PERSUS	PROJUDG
BUSIN									
BDSTRY	.0430	<u>.7162</u>							
BDADMIN	-.0672	.2676**	<u>.5663</u>						
BDFUND	.0975*	.2760**	.1985**						
FSP	.1084**	.4680**	-.1074**	.2615**	<u>.7923</u>				
PRDCTY	-.1478**	.0722	.0920*	-.0995*	-.0265				
OPEFF	-.1153**	.0648	.0301	-.0316	.0243	.4576**			
PERSUS	-.0020	-.1347**	-.1144**	.1582**	-.0189	-.0629	.0244		
PROJUDG	-.0864*	.2326**	.0346	.0171	.2716**	.0496	.0440	-.0472	

CANADA

	BUSIN	BDSTRY	BDADMIN	BDFUND	FSP	PRDCTY	OPEFF	PERSUS	PROJUDG
BUSIN									
BDSTRY	-.0541	<u>.6937</u>							
BDADMIN	-.2907**	.1445	<u>.5064</u>						
BDFUND	-.0154	.0920	-.0101						
FSP	.1988*	.6234**	-.2127**	.0847	<u>.7991</u>				
PRDCTY	.0665	-.0714	.1204	.0369	-.2031*				
OPEFF	-.1699*	.2278**	.2834**	-.2379**	-.0801	.2015*			
PERSUS	-.0494	.0036	-.1151	.3624**	-.1751*	-.0310	-.0908		
PROJUDG	-.0956	.2138**	.2592**	.1424	-.0142	-.0617	.0708	.0128	

** p \leq .05* p \leq .10

Independent variables are BUSIN, BDSTRY, BDADMIN, BDFUND, FSP.

Underlined numbers are the calculated Coefficient Alpha for scales representing BDSTRY, BDADMIN and FSP.

Do formal strategic planning methods improve performance?

The effects of formal strategic planning on performance vary between the U.S. and Canadian organizations. In the U.S., a positive relationship exists for measures of social performance but not for economic measures of performance. This suggests that a formal planning process results in programs being judged with an emphasis on the organization's social mission. In Canada, formal planning is negatively associated with the economic measure of productivity and also with the level of sustaining funds raised yearly. Table 12 (Page 120) shows the decomposition of these effects. Looking at the U.S. portion of the table, the total effect of planning on the way programs are judged is .2716 and is fairly close to the direct effect of .2793. This suggests that the spurious effects of board composition and activity are not influencing to any extent the relationship.

In Canada, however, the spurious effects are notably large. With reference to productivity, the direct effect is $-.3807$. The spurious effects of board composition and board activities, which are common to both formal planning and productivity, are .1776. Without these other variables in the model, the direct negative effect of planning on productivity would be overstated.

TABLE 12

UNITED STATES

[illegible]
$$\begin{array}{l} ** \quad p < .05 \\ * \quad p < .10 \end{array}$$

The same situation occurred regarding sustaining revenue. Spurious effects were sizable (.2848).

At this point, a caveat to the findings is in order. The results suggest that, in Canada, there may be dysfunctional effects of formal planning. However, this conclusion may not be correct. Data was not available to compare performance before the formal planning processes were put in place. Poor performance may have caused organizations to increase strategic planning activities and to formalize the process. This will be discussed further in the next chapter.

Do business people on the board bring about more formal planning methods?

The percentage of business people on the board are positively associated with the level of planning in the organization. Looking at the zero-order correlations in the total column of Table 13, the U.S. correlation is .1084, and Canada shows an association of .1988.

TABLE 13

Path Coefficients: Formal
Planning as Dependent Variable

UNITED STATES					
Independent Variable	Dependent Variable				
	-----Formal Planning-----				
	<u>Direct</u>	<u>Indirect</u>	<u>Spurious</u>	<u>Unanalyzed</u>	<u>Total</u>
BUSIN	.0019	.0553	-	.0512	.1084**
BDSTRY	.4941	-	-.0261	-	.4680**
BDADMIN	-.2503	-	.1429	-	-.1074**
BDFUND	.1771	-	.0844	-	.2615**
CANADA					
BUSIN	.1006	-.0186	-	.1168	.1988*
BDSTRY	.6575	-	-.0341	-	.6234**
BDADMIN	-.2844	-	.0717	-	-.2127**
BDFUND	.0049	-	.0798	-	.0847
** p \leq .05 * p \leq .10					

However, it is the indirect and unanalyzed effects of board activities that are of interest. In the U.S., the direct effect of the percentage of business people on the board is negligible (.0019). However, having the board involved in strategic planning activities is an important indirect effect (.0553).

As discussed in the previous chapters, business people today are being associated with more formal strategic planning efforts. To suggest increasing the percentage of

these people without considering the board's activity in the process may be misleading.

Also, the table shows that unanalyzed effects in the U.S. and Canada are large (.0512 and .1168). These effects are labeled unanalyzed because the relationship among board activities is not hypothesized in any direction. However, the magnitude of these effects suggest that there may be trade-offs in board activities.

The next hypothesis deals with the issue of board involvement, and the potential trade-offs among activities become more evident.

Does board involvement in planning lead to more formal planning processes in the organization?

Having the board involved in planning increased the formality of the process in the U.S. and Canada. In general, the total relationship between these two variables was well represented by direct effects. Again, referring to Table 13 (Page 122), negative effects of having the board involved in administrative duties and the formality of the planning process were observed in both countries. This is in line with current prescriptions. Having the board involved in administration may preoccupy the board.

What is the combined effect of board composition and activities on performance?

In general, how the board is structured and the effects of its activities vary depending on the performance measure being considered.

Specifically, in the U.S., the percentage of business people on the board is negatively associated with organizational productivity, operating efficiency and how programs are judged. Board activities affect the organization's percentage of funds raised and how programs are judged.

In Canada, the situation is slightly different. The percentage of business people on the board has no statistically significant effect on performance, except in the case of organizational efficiency. Here, greater percentages of business people on the board are associated with organizations that have deficits.

With reference to board activities in Canada, the board's involvement in strategy and administration positively affect the organization's operating efficiency and how programs are judged. With reference to the board's fundraising efforts, they increase the percentage of funds raised yearly but are negatively associated with operating efficiency.

The previous discussion provides an overall sense of the findings from this hypothesis. However, in order to appreciate the type of information that can be gleaned from multivariate analysis, the following section will describe the findings in somewhat more detail.

Decomposition of Effects

The value of path analysis is in the information it reveals regarding how one variable affects another and how mediating influences alter the relationship. The results from this study illustrate that decomposition into direct and indirect effects provides insight into the results of planning and the board's involvement in the process. Since four models were identified, each with different performance variables, the path analysis results of each will be described briefly. Portions of Table 12 will be repeated to facilitate the discussion regarding the decomposition of effects.

Productivity

As the following chart shows, in the U.S., the total effects of board composition and board activities were well represented by direct effects. This is due to formal planning having no appreciable effect on productivity.

UNITED STATES

<u>Independent Variable</u>	<u>Dependent Variable</u>			
	<u>-----Productivity-----</u>			
	<u>Direct</u>	<u>Indirect</u>	<u>Spur.</u>	<u>Total</u>
BUSIN	-.1327	-.0151	-	-.1478**
BDSTRY	.0865	.0000	-.0143	.0722
BDADMIN	.0834	.0000	.0086	.0920*
BDFUND	-.1272	.0000	.0277	-.0995*
FSP	.0000	-	-.0265	-.0265

CANADA

BUSIN	.1036	-.0371	-	.0665
BDSTRY	.1172	<u>-.2503</u>	.0617	-.0714
BDADMIN	.0727	.1082	-.0605	.1204
BDFUND	-.1636	-.0018	<u>.2023</u>	.0369
FSP	-.3807	-	<u>.1776</u>	-.2031*

** $p \leq .05$ * $p \leq .10$

In Canada, indirect and spurious effects mediated direct relationships. For example, the direct effect of board involvement in strategy on productivity is positive (.1172), while the indirect effect that results from considering the formality of the planning process is large and negative (-.2503). The zero-order correlation of -.0714 is not significant by itself, would not reveal the indirect effects of formal planning.

Also, spurious effects in the relationship between board fundraising and productivity are large and in the opposite direction (.2023). The direct impact of board fundraising would be misstated without the specification of the other activities and board composition in the model.

Operating Efficiency

With regards to the operating efficiency performance measure, the findings pertaining to U.S. organizations suggest that the total relationships in the model are fairly well represented by direct effects.

In Canada, indirect and spurious effects reduce the total relationship between the board's involvement in strategy and the organization's efficiency. The indirect negative effect of formal planning offsets the results of having the board involved in the planning process.

UNITED STATES

<u>Independent Variable</u>	<u>Dependent Variable</u>			
	-----Operating Efficiency-----			
	<u>Direct</u>	<u>Indirect</u>	<u>Spurious</u>	<u>Total</u>
BUSIN	-.1039	-.0114	-	-.1153**
BDSTRY	.0613	.0156	-.0121	.0648
BDADMIN	.0239	-.0079	.0141	.0301
BDFUND	-.0436	.0056	.0064	-.0316
FSP	.0317	-	-.0074	.0243

CANADA

BUSIN	-.1773	.0074	-	-.1699*
BDSTRY	.3519	<u>-.1546</u>	.0305	.2278**
BDADMIN	.1752	.0668	.0414	.2834**
BDFUND	-.3131	-.0011	.0763	-.2379**
FSP	-.2352	-	<u>.1551</u>	-.0801

** $p \leq .05$

* $p \leq .10$

Regarding the large spurious effect of .1551, this suggests that if board composition and activities were not entered in the model, the direct negative impact of formal planning on operating efficiency would be overstated. These spurious effects are the result of common causes of planning and operating efficiency.

Percent Sustaining Revenue

Not surprisingly, the board's involvement in fundraising, as perceived by the chief executive, results in a greater portion of revenue from this source. In both countries, total effects are statistically significant.

UNITED STATES

<u>Independent Variable</u>	<u>Dependent Variable</u>			
	-----Percent Sustaining Revenue-----			
	<u>Direct</u>	<u>Indirect</u>	<u>Spurious</u>	<u>Total</u>
BUSIN	-.0220	.0200	-	-.0020
BDSTRY	-.1347	-.0259	.0259	-.1347**
BDADMIN	-.1349	.0131	.0074	-.1144**
BDFUND	.2448	-.0092	<u>-.0774</u>	.1582**
FSP	-.0525	-	.0336	-.0189

CANADA

BUSIN	.0063	-.0557	-	-.0494
BDSTRY	.2981	<u>-.3023</u>	.0078	.0036
BDADMIN	-.2838	<u>.1307</u>	.0380	-.1151
BDFUND	.4307	-.0022	-.0661	.3624**
FSP	-.4599	-	<u>.2848</u>	-.1751*

**p \leq .05

*p \leq .10

In the U.S., there are spurious effects common to the board's fundraising efforts and the level of funds raised. Once again, without specification of these variables (board composition and other activities), the direct relationship would be overstated.

In Canada, the formality of the planning process again influences the direct effect of board activities on this performance variable. In the case of the board's involvement in strategy, the large and opposite indirect effect of formal planning ($-.3023$) offsets the direct effect of having the board involved in planning. By itself, the zero order correlation would render an erroneous impression.

As in all the models involving Canadian data, the spurious effects of board composition and board activities are large ($.2848$) when the level of planning formality is compared to a performance variable. Even in the case of sustaining revenue, which makes up a small portion of total revenue in Canada, direct effects of planning on performance would be overstated without including board composition and activities in the model.

Basis for Judging Programs

In this last model, the benefits of decomposing effects are evident in both the U.S. and Canada. A formal

planning process in the U.S. enhances the effect of having the board involved in planning and how programs are judged. In Canada, the formal process detracts from that relationship.

Spurious effects of board composition and other board activities influence both the board's involvement in administration and the way programs are judged.

UNITED STATES

<u>Indirect Variable</u>	<u>Dependent Variable</u>			
	-----Basis for Judging Programs-----			
	<u>Direct</u>	<u>Indirect</u>	<u>Spurious</u>	<u>Total</u>
BUSIN	-.0890	.0026	-	-.0864*
BDSTRY	.1125	<u>.1380</u>	-.0179	.2326**
BDADMIN	.0487	-.0699	.0558	.0346
BDFUND	-.0902	<u>.0494</u>	<u>.0579</u>	.0171
FSP	.2793	-	-.0077	.2716**

CANADA

BUSIN	-.0159	-.0797	-	-.0956
BDSTRY	.2948	<u>-.1210</u>	.0400	.2138**
BDADMIN	.1310	<u>.0523</u>	<u>.0759</u>	.2592**
BDFUND	.1607	-.0009	-.0174	.1424
FSP	-.1841	-	<u>.1699</u>	-.0142

**p < .05

*p < .10

Discussion

Three hypotheses were tested and each provided support for using path analysis to identify effects. Even when the linkage between variables was short, as in the first

hypothesis regarding formal planning and performance, large spurious effects in Canada demonstrated that the direct relationship of planning on performance would have been misstated without including the other variables in the model.

Table 14 (below) highlights this point in a slightly different manner. It displays the sign of the significant zero-order correlations among the composition, activities and performance variables. Those correlations that are circled had large and sometimes opposite intervening effects that resulted in the bi-variate relationship.

TABLE 14

Relationships with Strong Intervening Effects

	<u>PROJUDG</u>	<u>OPEFF</u>	<u>PRDCTY</u>	<u>PERSUS</u>	<u>FSP</u>
% BUSINESS REP.					
U.S.	-	-	-	n/s	(+)
Canada	n/s	-	n/s	n/s	(+)
BD. INVOLV. STRTY.					
U.S.	(+)	n/s	n/s	-	+
Canada	(+)	(+)	(n/s)	(n/s)	+
BD. INVOLV. ADMIN.					
U.S.	n/s	n/s	+	-	-
Canada	(+)	+	n/s	(n/s)	-
BD. INVOLV. FUNDR.					
U.S.	n/s	n/s	-	(+)	+
Canada	n/s	-	(n/s)	+	n/s
FORMAL PLANNING					
U.S.	+	n/s	n/s	n/s	
Canada	(n/s)	(n/s)	(-)	(-)	

Planning Formality

The variation between U.S. and Canadian organizations regarding the formal planning issue is interesting. In the U.S., planning seems to be affecting the way programs are being judged. Armstrong (1982) suggests that formal planning may be more important where changes are large. Concern for social agency status is a new one for U.S. organizations and represents a major change. Several YMCAs have lost state tax exemption, while others have had their federal tax status challenged in the 1980s. As a result, the U.S. national organization has urged YMCAs to get back to basics and change their focus to community service. It appears that, with this new emphasis, formalized planning methods suggest that social performance is considered more frequently.

In Canada, the results are different. A negative effect was found between formal planning and productivity and percent sustaining revenue. These findings suggest that there may be dysfunctional effects of formal planning.

Several theories exist regarding planning dysfunctions. Regarding Armstrong's (1982) notion of large change, Canadian Ys currently do not face the threat of loss of tax exempt status, and the issue is not causing major changes in their focus or operation.

Another perspective comes from the traditional literature on planning, where improper implementation or inappropriate formal planning systems have been associated with poorer organizational performance (Camillus, 1975; Steiner & Schollhammer, 1975).

Implementation may involve structural components of the planning process, and this study includes board involvement, which could be considered a structural variable. In fact, direct effects of formal planning on organizational performance would have been overstated without considering board activities in the model.

Another explanation as to why planning may not lead to success is offered by Bresser and Bishop (1983). They suggest that formal planning is one form of agreement in the organization. Other forms are shared values and beliefs. If formal planning is extreme, a trade-off occurs in the forms of agreement. For example, individuals respond to policies and procedures with their own understanding of preferable values and beliefs causing dysfunctionalities.

One last perspective contents that the organization's intended strategy may become altered through internal politics (Mintzberg & Waters, 1985).

These explanations for why planning might not pay off are based on assumptions that organizational performance should be greater. That is, performance measures typically

include profitability gauges, return on stockholder's equity, etc., where higher is better. In the nonprofit sector, deficit situations are not necessarily desirable, but nor are excess surpluses. These ideological differences make comparisons difficult, and although the management ratios developed by the Canadian Y look like ratios typically applied to the for-profit sector, the results require qualified interpretations.

Board Composition

With reference to the second hypothesis regarding business people on the board, the large unanalyzed effect of other activities the board may perform suggests potential trade-offs in board activities. In the U.S., the total correlation between board composition and the level of planning achieved statistical significance even though the direct effects did not. The importance of the board's involvement in the planning process could not be noted if estimation of indirect effects had not been conducted.

Composition, Activities, Performance

With reference to the final hypothesis, which involved the full model, the importance of including mediating variables of board activities and formal planning between

board composition and performance provide additional insights, which the zero-order correlations would mask.

Limitations and Directions for Future Research

This study examined how boards of directors influence organizational performance. To control for contextual forces such as variation of organization types found in the nonprofit sector, one organization was surveyed. This focus may limit generalizability; however, the YMCA has several characteristics which allow the findings to be of interest to other organizations. It is a commercial nonprofit, which is the largest category of nonprofit agencies; and it has a strong resemblance to a for-profit corporation.

Environmental factors, such as community size and resident income levels were not included in the model. These may influence the financial ratio performance of an organization. For example, inner city Ys may focus more on social agency concerns than suburban Ys.

The data was cross-sectional; and as a result, lagged effects were not addressed. Different relationships may be revealed in a longitudinal study, especially with regards to the impact of formal planning in Canadian organizations.

Longitudinal data may reveal a reverse relationship from performance to planning.

Reverse relationships may also exist regarding other board factors, such as board composition. Better performing organizations may attract more business types because of status or other considerations. One executive has repeatedly commented that if his organization were performing better, he'd have more influential business people on the board. According to him, they would want to sit on his board rather than other boards in the city because the organization was doing well.

Besides the time frame issue, if there are situations where a higher level of planning formality leads to poorer performance, then it represents an area that requires further investigation. While this study addressed structural issues of formal planning in the form of board versus staff involvement, a different methodology is required to determine whether internal politics affect strategic implementation or whether the formality of the process and what it symbolizes overshadows other forms of agreement in the organization, such as values and beliefs. Indepth interviews and participant observation are forms of research that lend themselves to these issues.

This study examines governance issues which are very difficult to research in the for-profit sector. Boards are often cloaked in secrecy as a competitive precaution.

Because of the similarities between the boards from both sectors, the findings that pertain to this study involving a commercial nonprofit may provide important insights into for-profit board activities.

C H A P T E R V

CONCLUSION

The objective of this project was to empirically investigate the relationship among board factors, organizational planning and performance. A great number of practitioner-oriented materials appeared in the 1980s prescribing formal planning by nonprofit organizations and advocating the board's involvement in the process. However, empirical analysis has been scarce.

Previous studies involving board composition, board activities and organizational performance reported relationships developed through univariate analyses, and rarely did researchers consider the intervening variables between the linkage from board composition to organizational performance (Babchuk, Marsey & Gordon, 1960; Miller, Weiss & MacLeod, 1988; Price, 1963; Provan, 1980). The multivariate technique of path analysis was especially suited to this project, since it is an analytical method that discloses direct and indirect relationships among a set of variables.

As a result of the data collection, two types of information were developed. First, a profile of YMCA boards in both the U.S. and Canada was generated from the data on individual board members, which was provided by

organization chief executives. U.S. boards tended to have more directors with business backgrounds, namely chief executives. On average, Canadian boards were smaller, younger, had a higher percentage of women and were perceived to be somewhat less affluent than their U.S. counterparts.

In Canada, business owners, chief executives and homemakers were distinctive in their perceived overall involvement in the organization. While U.S. and Canadian boards had low rankings by the chief executives in their fundraising efforts, board members who were chief executives in Canada proved to be an exception. This group was considered very involved in fundraising.

Of all age groupings, the over-65-year-old board members in the U.S. were considered more involved in the organization than younger members, though no such distinction was found in Canada. Board member level of perceived affluence paralleled overall involvement in the organization; and fundraising efforts matched level of affluence in the high and low categories.

The second portion of the data from the survey provided aggregate scores of organizational activities and board roles as perceived by the YMCA chief executive. Canadian organizations tended to have more formal planning processes on average than U.S. organizations; however, between the groups, there was no statistical difference in

the board's involvement in planning. Boards in the U.S. were more active in administrative duties than in Canada, and fundraising efforts were considered only somewhat effective in both groups.

The results of path modelling offered qualified support to the performance effects of formalized planning. U. S. organizations having formal strategic management activities tended to consider their social mission more frequently in the way programs were judged than did those organizations with less formal planning. The concentration on social purpose and "getting back to basics" is one that the YMCA has emphasized over the last five years, and the benefit of formal planning seems to be associated with this trend.

In Canada more formal planning techniques were associated with less productivity. This may be the result of dysfunctionalities of formal planning; the staff may be preoccupied with planning details.

The use of path modelling demonstrated the fact that model specification must include board composition and activity variables. Studies that consider only composition measures are unlikely to accurately estimate total effects. Decomposition of effects should be performed, since without this additional information, direct effects by themselves may be misleading and zero-order correlations could render erroneous impressions.

Implications

Although the data for this study applies to one type of commercial nonprofit organization (YMCAs), concepts such as board activities and the level of an organization's formal planning have implications that may well extend into the for-profit sector. It is difficult to infiltrate the for-profit boardroom due to competitive concerns, and many of the relationships revealed in this study may provide information that could provide insights into corporate business board processes.

With reference to the nonprofit sector, interest in governing bodies and their relationship to organizational outcomes is increasing, since government funding and public support can no longer be taken for granted. The implications of who sits on the board and its role in the organization should interest scholars, nonprofit executives, and those who volunteer for director positions.

The Method of Analysis

This study is one of the first to empirically investigate the topic using path modelling. For scholars, the results clearly demonstrate that studies involving

board composition, activities and performance, either in the nonprofit or for-profit sector, must be guided by integrative models, which require multivariate data analysis.

Board Composition and Activities

For executives, the evidence suggests that unsupported prescriptions regarding desirable board member types must be viewed with caution. This study demonstrates how the advice to add more business executives on the board to increase planning formality can be misleading, since board activities influence the relationship of board composition and planning formality in the organization. Also, the modification of boards to be representative of a greater number of constituents may be at the expense of involvement. The issue of constituent representation on the board is one that concerns both nonprofit and for-profit firms.

Adding special interest boards members is not enough. Special arrangements, such as different times for board meetings or early committee assignments may be required to get constituents more involved in board matters.

Cross-Cultural Perspective

To better understand the giving, volunteering and the growing of nonprofit activity globally, cross-cultural comparisons are becoming more widespread. For example, the Eighth Annual Independent Sector Research Forum to be held in March, 1990, has as its theme comparative international research. All discussion sessions and papers have a cross-cultural perspective.

This project compared Canadian and U.S. board structures and activities in an exploratory manner. At first glance, the organizations in both countries looked and acted similarly. However, empirical analysis revealed some interesting differences. Board members with certain occupations tended to be perceived as being more involved in Canadian organizations. This group's boards were less active in planning; yet the formality of the process was greater. In turn, this formal process was negatively associated with productivity and the percentage of funds generated on a yearly basis. These initial findings suggest areas for future study.

What are executives in Canadian Ys doing to increase board member involvement? The more active board member groupings which emerged from this study may provide hints. Is the board's less active role in planning dysfunctional? Is formal planning, in fact, detrimental to Canadian Y

organizations, or do cultural differences lie beneath the numbers? Would longitudinal data show a reverse relationship, from performance to planning formality?

No information is available in the YMCA national organization regarding cross-cultural comparisons, especially pertaining to boards and strategic management activities. Yet, here is an organization that has been multinational since its founding almost 150 years ago.

* * * * *

In the nonprofit sector, especially in the area of governance and management techniques, all roads lead to research opportunities. With reference to methodology issues and board composition and board activity concerns, research findings involving nonprofit boards need not be restricted to that sector. As Peter Drucker (1989, 88) notes:

"...nonprofit organizations are becoming America's management leaders. In two areas, strategy and the effectiveness of the board, they are practicing what most American businesses only preach."

C H A P T E R V I

AFTERWORD

One of the most surprising results of this study has little to do with the formal hypotheses testing or the thousands of board member characteristics that were generated. It pertains to my assumptions regarding nonprofit organizations and the field of management.

My experience with the nonprofit sector was limited but probably no more than the exposure of other business students to that group of organizations. They were rarely discussed in a business curriculum. Regarding this point, Mary Louise Hatten (1982) introduced her paper on strategic management in nonprofit organizations by saying that not-for-profit management has been treated as the poor stepchild in management thinking. I suggest that even this amount of attention exaggerates the situation. In any event, I knew very little about who was in the sector, never mind how it was managed.

I began this project armed with my knowledge of for-profit management principles. I had visions of seeing nonprofit organizations struggle with implementation problems as they began to copy some of the management techniques I learned, taught to others and experienced in my own business career.

That I should have these impressions is not really surprising, since the numerous books and articles that appeared in the 1980s stressed the fact that nonprofit organizations had to adopt these management techniques to survive. I had the sense that nonprofit organizations had wonderful ideals but could not hold a candle to the real world of business and the bottom-line.

One could question why this sector was chosen for study in the first place. Admittedly, it offered the access, especially to boardroom activities, that is difficult to get from for-profit organizations. Also, many articles in the field of strategic management noted the research opportunity this sector provided. And, from what I could tell, the organization I studied was very similar to a for-profit institution.

All of this suggests I began the project with some very strong assumptions about nonprofit organizations: they probably were not very sophisticated in the management of the organizations but had some similarities; they were years behind for-profit institutions in planning and organizational efficiency issues; and the better run organizations would copy for-profit techniques more closely. Whether strong assumptions are good or bad for research is another topic. My opinion is that recognition of the assumptions is what counts.

It takes a certain kind of research to bring out these basic attitudes. Statistical analysis of quantitative data can reveal patterns and interesting relationships; but assumptions can remain buried in the data. Getting to know the subjects, observing everyday activities, even participating in the organization brings the researcher closer to the organization and, more importantly, closer to his/her assumptions about the organization. It's worth the extra effort.

As noted earlier, I presumed that all nonprofit organizations, and specifically the YMCAs, were beginning to manage the "for-profit way." In fact, this view was not incorrect. At every board meeting I've attended, the volunteer treasurer of the Springfield YMCA board (a business accountant) stresses the need to generate a large surplus. A small one has been projected for 1990. He takes the opportunity at each board meeting to emphasize this "bottom line" with nods of agreement from the staff and board.

Other business methods parallel those I knew from my own experience. Marketing techniques include price discounting, coupons and advertising appeals based on consumer needs. Regarding leadership, educational requirements for managers are increasing, and concepts such as management by objective have found their way into the sector.

It's wonderful to have basic assumptions that hold true. What's disconcerting at first, but then startling and challenging later on is when these basic assumptions are overshadowed by new meanings. And these new meanings relative to nonprofit organizations are what this project ultimately was all about.

Here are organizations that must have a social purpose, otherwise they lose their nonprofit status; and, even more importantly, they lose community support. Yet, these same organizations must pay close attention to their revenues and expenses. As noted many times in this document, stakeholder support is lessening for organizations that continue in a deficit situation. As a result, there are two businesses to manage and two missions to achieve. They often conflict, and nonprofit executives in the more successful organizations have been managing these dual businesses for years.

But, wait. This is what for-profit organizations are beginning to face, although the order is somewhat reversed. Business corporations must generate a profit to stay in business. Their status discourages outright fundraising. Yet, they must pay close attention to their social mission as well. For example, can organizations exist for long that make money but pollute rivers and streams in the process? Can it be that there's something to be learned from nonprofit management techniques, especially the

handling of the two businesses? As I saw evidence that dual-business management is one of the strengths of this group of nonprofit organizations, I began to rethink my basic assumptions. Could it be, as Drucker (1989) points out, that there are management areas where business can learn from nonprofits?

This is a question I never even considered going into this project. Even as I contemplated future research possibilities during this study, I thought of comparisons between the two sectors but always from a for-profit TO a nonprofit point of view. I'm still not sure of the themes (board resemblances, liability comparisons, even planning formality parallels); but I am sure I won't automatically assume a "for-profit to nonprofit" direction. It can and does go the other way.

ENDNOTES

- ¹ Performance measures were failure of the firm (Chiganti et al., 1985), whether organizations were found guilty of illegal activities (Kesner et al., 1986), and return on stockholders' capital and Fortune 500 rankings (Vance, 1983,1978).
- ² The Eighth Annual Independent Sector Research Forum to be held in March, 1990, has as its theme comparative international research. All papers and discussion sessions have a cross-cultural perspective.
- ³ Some of the YMCAs had resident facilities, which the chief executives acknowledged were troublesome to manage, especially when the residents heckled members who came through the lobby. Here is where the social agency and fee-for-service business came face-to-face. In the case of New Britain, however, they considered their residency program well-run and an asset to the community. Certain requirements for residency, namely employment, are considered important for successful residency programs.
- ⁴ The ANOVA model pools variances within the groups into a single within-group source of variation. Since the sample sizes differed considerably (60 versus 240), Bartlett tests were run to check homogeneity of the same variances (Neter, Wasserman & Kutner, 1985).

A P P E N D I X A

A NOTE ON PERFORMANCE MEASUREMENT

A NOTE ON PERFORMANCE MEASUREMENT

According to Venkatraman and Ramanujam (1986), performance improvement is at the heart of strategic management and is the test for any strategy. However, complications arise when researchers try to measure performance.

In the for-profit sector, profit ratios (such as return on equity, return on sales and return on investment) are the conventional measures of organizational performance (Chakravorthy, 1986). Nonetheless, these financial indicators are troublesome, especially when they are considered the sole performance criterion. For example, they focus on stockholder concerns and ignore other stakeholders. Financial ratios are susceptible to differences in accounting methods. Finally, long-term growth often is at the expense of short-term results, which ratios tend to report.

Accounting manipulations also have the potential to tarnish market-oriented measurements, such as market-to-book returns, which is another approach to the measurement of performance. As Venkatraman & Ramanujam (1986) suggest, this approach to conceptualizing organizational performance assumes dominance of financial goals.

The third type of performance measure involves social responsibility, and its concern in the for-profit sector has increased with society's sensitivity to the externalities of business operations.

In a review of the literature pertaining to social responsibility research, Ullmann (1985) discusses methods for measuring the construct. These include content analysis of company reports, a type of social disclosure variable. Other approaches involve the use of reputational indexes and pollution performance rankings. One group of researchers based their ranking of social performance on the response pattern to their survey; they reasoned that socially active companies would be more likely to respond (Parket & Eilbirt, 1975).

Lastly, Aupperle, Carroll and Hatfield (1985) developed an instrument whereby respondents divided 10 points in a series of statements with the scores reflecting corporate social responsiveness orientation.

Although multiple measures of performance are considered better than single indicators (Venkatraman & Ramanujam, 1986), problems such as competing criteria, precision of measurement and generalizability surface (Steers, 1975).

As troublesome as the issue of operationalizing performance is in the for-profit sector, it becomes more so when dealing with nonprofit organizations. These entities are defined around their mission and the services they offer, not around financial returns. While it could be argued that all organizations are providing services, even if they are selling goods, the recipients of services in nonprofit organizations have a weaker influence than customers of profit-making firms. Needs of donors, for example, might play a bigger role.

Financial resources come from these donors, who may never "use" the services, as well as from users. Distinct managerial skills are required for resource attraction activities versus service provision; and performance takes on an added dimension.

In the past, researchers trying to operationalize performance in the nonprofit sector faced another obstacle, which was very subtle and perplexing. Surplus conditions (revenues exceeding expenses), could demotivate stakeholders. As Kanter and Summers (1987) propose, financially weak nonprofit firms may use a deficit situation to rally support. Failure to achieve goals was not a weakness; it was a sign that fundraising efforts needed to be intensified. Greater commitment to the organization was required.

However, as discussed in the literature review chapter, cutbacks in government funding and the public's demand for efficient operations have changed much of the thinking in and around nonprofit organizations. Efficient use of resources is expected while the organization achieves its purpose. Still, the potential for a backlash from surplus situations may exist.

Because of these complications and the inherent difficulty commonly associated with measuring nonprofit firms ("Nonprofit Organizational Effectiveness Study," 1986), the researcher worked closely with YMCA national officials in Canada and the U.S. to develop performance measures that would capture various aspects of performance for that organization. For this project, these indicators involved financial and social performance, as well as a measure of organizational image and constituent satisfaction.

The same concerns regarding short-term financial ratios, market measures that are based on financial goals, and the subjective nature of social performance measures affect the performance indicators. However, the development of these indexes represents a first attempt to consider multiple measures of performance in the nonprofit sector and to relate them to board composition, board activities and organizational planning.

A P P E N D I X B

U.S. MEASUREMENT MODEL WITH SUBJECTIVE RANKINGS

U.S. MEASUREMENT MODEL WITH SUBJECTIVE RANKINGS

Consultant Rankings

In the United States, two groups act as consultants for area YMCAs. Either field consultants, employed by the national YMCA organization, or individuals from large metropolitan Ys provide a wide variety of services to any association. These consultants report to the area field office where their efforts are coordinated by the director of that office.

For this study, the East Field director asked this team of consultants for subjective rankings for each organization regarding its overall performance and separately its social performance. The overall performance measure ranged from 1 - critical condition to 5-healthy. An organization's commitment to its social mission was ranked from 1-low to 5-very effective.

With reference to the consultants' overall performance ranking, they appear to consider economic and social performance when judging an organization. Of the ratios calculated for this project, operating efficiency was correlated with the subjective ranking ($.3267$ $p=.000$). Even more so, they seemed to consider their own ranking of social performance ($r=.6043$ $p=.000$) as a basis for judging an organization in general.

The trade-off between economic efficiency and social performance does not appear to exist in U.S. organizations. The correlation between the consultants' social performance ranking and the financial ratio representing operating efficiency is $.1128$ ($p=.029$). If anything, economic efficiency is mildly correlated with social performance. When the presidents' survey response regarding social mission was matched against operating efficiency, no association was found.

Rankings by Chief Executives

Part III of the questionnaire mailed to chief executives asked them to subjectively rank their own organization's facility conditions, operating fund and endowment fund levels, the board's overall effectiveness, board and staff relations, and member satisfaction. The Spearman coefficient of correlation between the consultants' rankings of overall performance and the respondents' self-evaluation was .5855 ($p=.000$). This indicates fairly good agreement between the two sets of rankings.

The measure for social performance from the survey data was how programs were judged. The Spearman correlation between this measure and the consultants' ranking of social performance was .2034 ($p=.001$).

Substituting Subjective Ranks in the Path Model

According to Venkatraman and Ramanujam (1986) and Bagozzi (1980), the validity of a construct can be enhanced by using alternate operationalizations of a measure with the same model. The following table shows the results of substituting the two subjective rankings for performance measures used in this study into the path model:

U.S. SUBJECTIVE RANKINGS

----OVERALL PERFORMANCE----

	<u>Direct</u>	<u>Indir.</u>	<u>Spur.</u>	<u>Total</u>
BUSIN	-.0301	.0490	-	.0189
BDSTRY	-.0744	.1730	.0356	.1342**
BDADMIN	.0044	-.0876	.0549	-.0283
BDFUND	.1378	.0620	.0220	.2218**
FSP	.3501	-	.0051	.3352**

-----SOCIAL PERFORMANCE-----

BUSIN	-.2088	.0760	-	-.1328**
BDSTRY	-.0775	.1598	-.0033	.0790
BDADMIN	-.0886	-.0809	-.0563	-.1132**
BDFUND	.1177	.0573	-.0209	.1541**
FSP	.3235	-	.0017	.3252**

The result of this comparison of measures is that the total effects of board composition and planning formality on performance are reinforced. The percentage of business people on the board has no relationship to how well the organization is performing overall and is significant and negative with regards to the organization's social performance. This latter point coincides with results from the survey data.

The formality of planning can be positively associated with the organization's concern for its social mission, as was shown using the responses from the survey regarding how programs were judged.

The direct and total effects of board activities are less consistent with the original data set. Using the subjective rankings, the board's involvement in strategy was positively correlated with overall performance. In the original model, BDSTRY was positively associated with social performance and negatively associated with the percent of funds raised. Board administrative duties have a negative effect on social performance of the organization. The only negative effect was found with percent of funds raised. The board's fundraising efforts were positively associated with both subjective rankings; yet this positive association came through only in the percent of funds raised in the organization.

Although variations in the results exist for board activities, the consistency found in board composition and formal planning and their relationship to social performance provide additional evidence of the phenomena occurring in U.S. organizations.

A P P E N D I X C

COVER LETTERS AND QUESTIONNAIRE

July 6, 1989

Dear Chief Executive Officer:

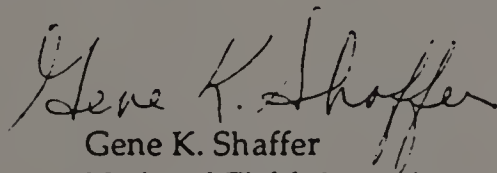
As you know, the people who volunteer to serve on your board of directors are a valuable resource to your YMCA. To learn more about effective boards, we are conducting a survey of board member backgrounds and activities in conjunction with the University of Massachusetts at Amherst. I hope you will assist us with this very important research project by filling out the survey form and returning it at once.

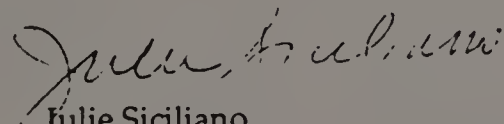
Julie Siciliano is the research director of the study and has worked closely with the East Field Office and with Myrtis Meyer, Research Director of the National YMCA, in developing the enclosed questionnaire. Julie will also be sending a similar questionnaire to Canadian YMCAs for comparison purposes. If you have any questions, you may contact her directly at the University of Massachusetts (413) 549-4930, ext. 327.

For purposes of confidentiality, no individual YMCA will be singled out in the results. That is, all data will be pooled together and reported in group totals. Please be as accurate as you can in your response. This is not a test and the success of the results depends on your response being as accurate as possible. If you would like a copy of the project results, check the box at the end of the questionnaire.

Please complete the survey, place it in the envelope provided, and return it to Julie by July 19, 1989. This is an opportunity for you as the chief staff officer to learn more about your board and its activities in comparison to other YMCAs in your region and in Canada.

Additionally, this information should assist us in being more effective as we work with our boards of directors. We look forward to your immediate reply, and we thank you in advance for taking the time to respond.


Gene K. Shaffer
National Field Executive
East Field Office


Julie Siciliano
Study Director
University of Massachusetts
(413) 549-4930, ext. 327



YMCA of the USA
100 North Dearborn Street
Chicago, Illinois 60610
(312) 462-1100

July 12, 1989

Dear Chief Executive Officer:

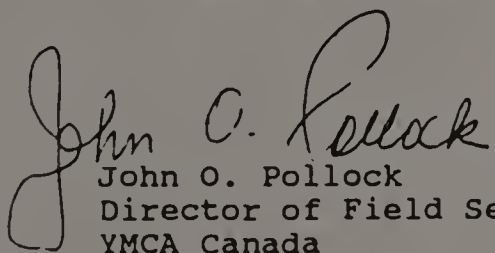
As you know, the people who volunteer to serve on your board of directors are a valuable resource to your YMCA or YMCA-YWCA. To learn more about effective boards, we are conducting a survey of board member backgrounds and activities in conjunction with the University of Massachusetts at Amherst. I hope you will assist us with this very important research project by filling out the survey form and returning it at once.

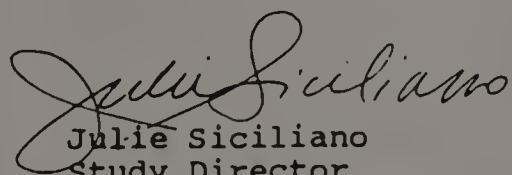
Julie Siciliano is the research director of the study and has worked closely with the United States East Field Office and with Myrtis Meyer, Research Director of the National YMCA, in developing the enclosed questionnaire. We are also participating in the study; and if you have any questions, you may contact Julie directly at the University of Massachusetts, Department of Management, Amherst, Massachusetts 01003, (413) 549-4930 ext.327.

For purposes of confidentiality, no individual YMCA will be singled out in the results. That is, all data will be pooled together and reported in group totals. Please be as accurate as you can in your response. This is not a test and the success of the results depends on your response being as accurate as possible. If you would like a copy of the project results, check the box at the end of the questionnaire. Results will be available by the end of the year.

Please complete the survey, place it in the stamped envelope provided, and return it to Julie by July 26, 1989. This is an opportunity for you as the chief executive officer to learn more about your board and its activities in comparison to other YMCAs in Canada and in the United States.

Additionally, this information should assist us in being more effective as we work with our boards of directors. We look forward to your immediate reply, and we thank you in advance for taking the time to respond.


John O. Pollock
Director of Field Services
YMCA Canada


Julie Siciliano
Study Director
University of Massachusetts
(413) 549-4930, ext. 327



UNIVERSITY OF MASSACHUSETTS
AT AMHERST

Department of Management

School of Management
Amherst, MA 01003
(413) 549-4930

August 11, 1989

Dear Chief Executive Officer:

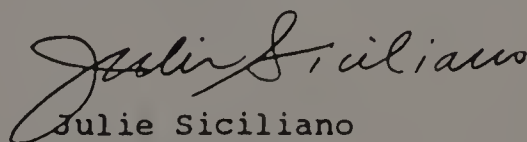
Your Response is Valuable

Last month, Gene Shaffer and I mailed you a survey that pertained to the planning activities of your board and staff. We are very interested in your reply and have enclosed another survey form for your convenience.

Please take a few minutes to complete the questionnaire. Your YMCA has unique characteristics, which need to be included in the study to ensure a complete overview of YMCA planning activities.

Thank you for your assistance. Please mail the questionnaire in the enclosed return envelope by August 31. If you have any questions, feel free to contact me at the University of Massachusetts (413) 549-4930, ext. 327.

Very truly yours,


Julie Siciliano
Study Director



UNIVERSITY OF MASSACHUSETTS
AT AMHERST

Department of Management

School of Management
Amherst, MA 01003
(413) 549-4930

August 11, 1989

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Very truly yours,

A handwritten signature in cursive script that reads "Julie Siciliano".

Julie Siciliano
Study Director



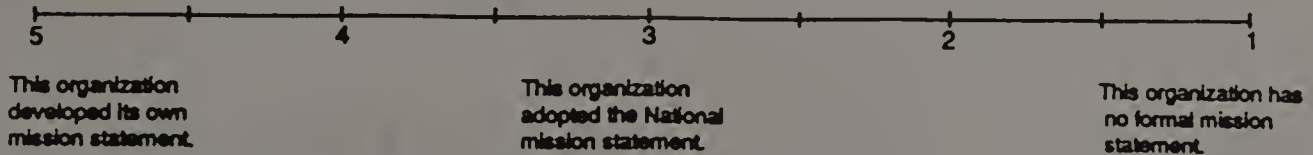
1989 SURVEY OF YMCA ORGANIZATION AND BOARD ACTIVITIES

DIRECTIONS:

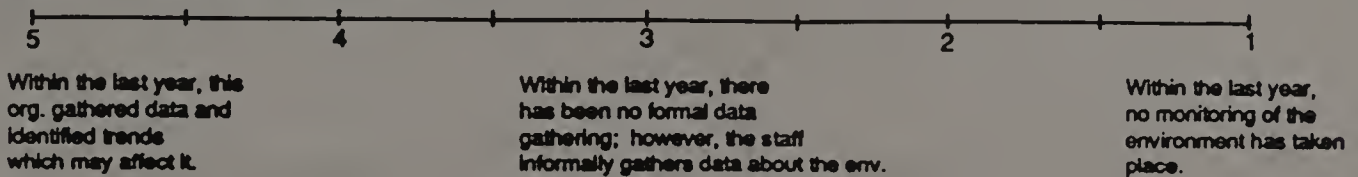
The following questions pertain to activities your organization may or may not perform. Please check the point that most nearly describes your organization's activities.

PART I

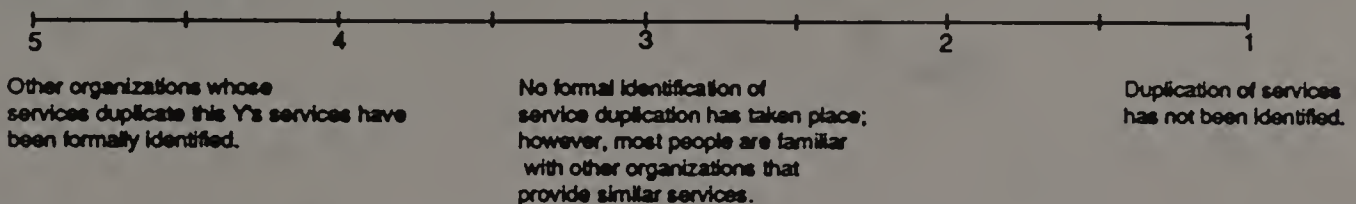
1. MISSION STATEMENT OR ORGANIZATIONAL PURPOSE



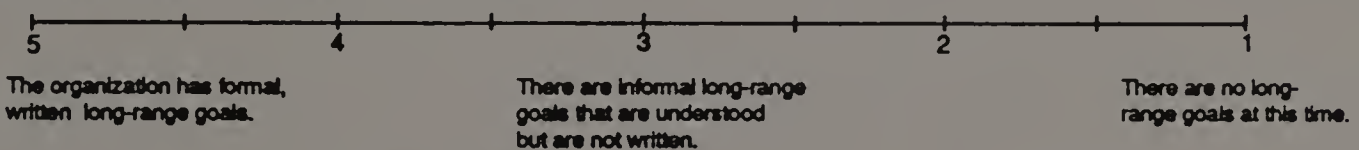
2. ENVIRONMENTAL TRENDS (Economic, political, and/or social)



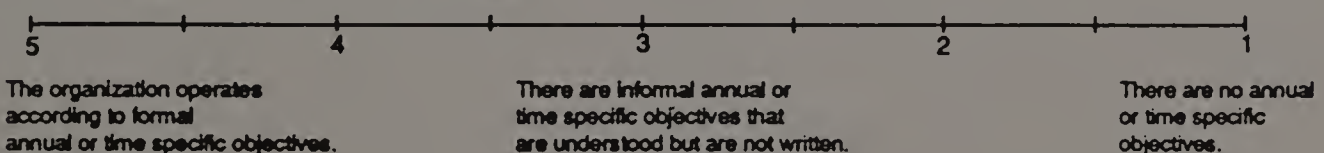
3. DUPLICATION OF SERVICES



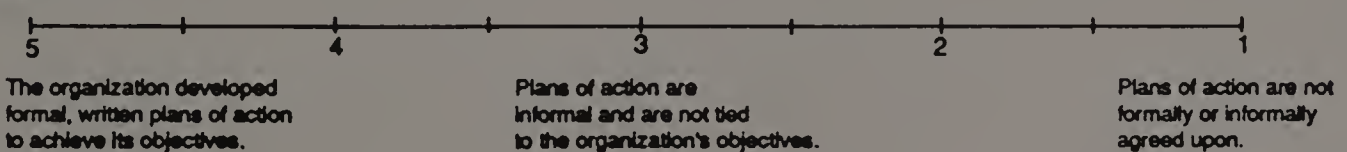
4. LONG-RANGE GOALS (Three to five year goal statements.)



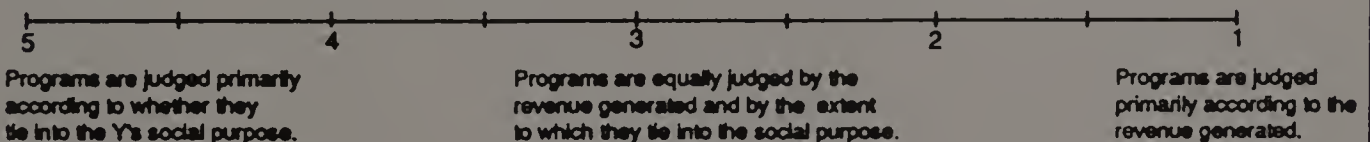
5. STATEMENT OF OBJECTIVES (Annual or time specific)



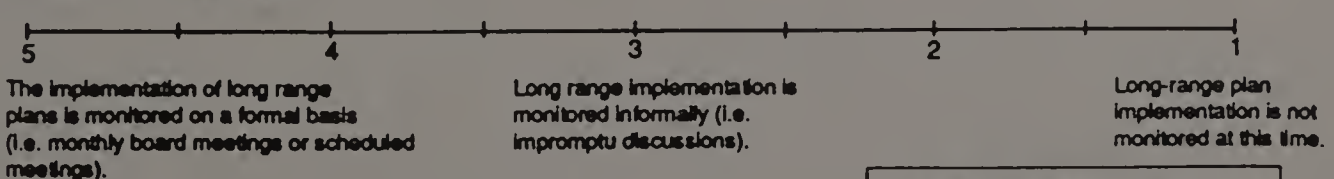
6. PLANS OF ACTION



7. YMCA PROGRAMS



8. LONG-RANGE PLAN MONITORING



PLEASE CONTINUE TO NEXT PAGE

PART II

DIRECTIONS: The following questions pertain to activities that your board and/or staff may perform. Please check the point that most nearly describes who performs the activities. The term "board" may also refer to a committee of the board. If neither your board nor staff perform the specified functions, please check the box, "does not apply."

1. MISSION STATEMENT OR ORGANIZATIONAL PURPOSE

5	4	3	2	1	
The board primarily decided the type of mission statement.	The board primarily decided the type of mission statement with minor input from the staff.	The board & staff jointly decided the type of mission statement.	The staff decided the type of mission statement; the board approved it.	The staff alone decided the type of mission statement.	<input type="checkbox"/> Does Not Apply

2. ENVIRONMENTAL TRENDS (Economic, political, and/or social)

5	4	3	2	1	
Within the last year, the board alone identified trends.	Within the last year, the board identified trends with some input from staff.	Within the last year, the board and staff jointly identified trends.	Within the last year, the staff primarily identified trends, the board approved them.	Within the last year, the staff alone identified trends.	<input type="checkbox"/> Does Not Apply

3. DUPLICATION OF SERVICES

5	4	3	2	1	
The board primarily identified organizations that service duplicate the Y.		The board and staff jointly identified organizations that service duplicate the Y.		The staff alone identified organizations that service duplicate the Y.	<input type="checkbox"/> Does Not Apply

4. LONG-RANGE GOALS (Three to five year goal statements)

5	4	3	2	1	
The board primarily identified long-range goals.		The board and staff jointly developed long-range goals.		The staff alone developed long-range goals.	<input type="checkbox"/> Does Not Apply

5. STATEMENT OF OBJECTIVES (Annual or time specific)

5	4	3	2	1	
The board primarily developed the objectives.		The board and staff jointly developed the objectives.		The staff alone developed the objectives.	<input type="checkbox"/> Does Not Apply

6. PLANS OF ACTION

5	4	3	2	1	
The board developed plans of action to achieve organization objectives.		The board and staff jointly developed plans of action to achieve organization objectives.		The staff alone developed plans of action.	<input type="checkbox"/> Does Not Apply

7. YMCA PROGRAMS

5	4	3	2	1	
The board primarily determines whether Y programs are fulfilling the social purpose of the organization.		The board and staff jointly decide whether Y programs are fulfilling the social purpose of the organization.		The staff alone decides whether Y programs are fulfilling the social purpose of the organization.	<input type="checkbox"/> Does Not Apply

8. FUNDRAISING

5	4	3	2	1	
This board has been very effective in fundraising.		This board has been somewhat effective in fundraising.		This board has not been effective in fundraising.	<input type="checkbox"/> Does Not Apply

9. BUDGETS

5 ————— 4 ————— 3 ————— 2 ————— 1

The board developed the yearly budget. The board and staff jointly developed the yearly budget. The staff alone developed the yearly budget.

☐ Does Not Apply

10. PROMOTIONAL DECISIONS (Advertising, brochures, etc.)

5 ————— 4 ————— 3 ————— 2 ————— 1

The board makes all decisions pertaining to promotion. The board and staff jointly decide about promotions for this organization. The staff alone makes all promotion decisions.

☐ Does Not Apply

11. RECRUITING STAFF MEMBERS (Other than Chief Staff Officer)

5 ————— 4 ————— 3 ————— 2 ————— 1

The board recruits and hires all staff members. The chief staff officer and board together recruit and hire personnel for staff positions. All decisions regarding staff positions are made by the chief staff officer.

☐ Does Not Apply

12. LONG-RANGE PLAN MONITORING

5 ————— 4 ————— 3 ————— 2 ————— 1

The board monitors implementation of the long-range plan. The board and staff jointly monitor the long-range plan. The staff monitors the long-range plan.

☐ Does Not Apply

PART III

1. PLANNING CONSULTANTS

Please check which types of planning assistance you may have had in the last three years:

- ☐ National Field Executive
☐ Management Resource Center
☐ Independent Consulting Firm
☐ No Outside Consultants
☐ Other _____ (Please indicate)

2. PLANNING COMMITTEE

Please note which committee of your board (if any) is responsible for planning:

- ☐ Long-range planning committee (or strategic planning committee)
☐ Executive committee
☐ Other _____ (Please indicate)
☐ No committee has responsibility for planning

3. YOUR ORGANIZATION'S OVERALL PERFORMANCE

Please circle the number (from 1 to 5) which you feel best describes how your YMCA compares to similar-sized Ys.

(CURRENTLY COMPARED TO SIMILAR-SIZED YMCAs)

CHARACTERISTICS	Top 20%	Next 20%	Middle 20%	Lower 20%	Lowest 20%
1. Condition of Facilities	1	2	3	4	5
2. Operating Fund	1	2	3	4	5
3. Endowment Fund	1	2	3	4	5
4. Effectiveness of Board	1	2	3	4	5
5. Board-staff Relationship	1	2	3	4	5
6. Member Satisfaction	1	2	3	4	5

PLEASE CONTINUE TO NEXT PAGE

PART IV

DIRECTIONS: Please list each board member of your organization as of June 1989 and place an "X" in the categories that most closely identify their characteristics and background. For reasons of confidentiality, there is no need to disclose the board member's full name. You may use any method to identify the member (first name, initials, a number) that is convenient for you. An example, using a hypothetical board member, is shown.

[illegible]

Your Name _____ or Location _____

Thank you very much for your cooperation. If you would like a copy of the results, please check this box. ☐

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